

[H.A.S.C. No. 115-72]

STRATEGIC COMPETITION WITH CHINA

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

HEARING HELD
FEBRUARY 15, 2018



U.S. GOVERNMENT PUBLISHING OFFICE

28-995

WASHINGTON : 2018

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STRATEGIC COMPETITION WITH CHINA

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, February 15, 2018.

The committee met, pursuant to call, at 10:00 a.m., in room 2118, Rayburn House Office Building, Hon. William M. “Mac” Thornberry (chairman of the committee) presiding.

OPENING STATEMENT OF HON. WILLIAM M. “MAC” THORNBERRY, A REPRESENTATIVE FROM TEXAS, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. The committee will come to order. Today the committee meets to receive testimony on strategic competition with China.

Following our hearing with Admiral Harris yesterday, I think it is a good time to hear additional perspectives, especially with the knowledge and expertise of today’s witnesses. They are Dr. Aaron Friedberg, professor at Princeton University, and Dr. Ely Ratner, senior fellow at the Council on Foreign Relations. Both are long-time experts on China, and we thank you both for being with us today.

As the National Defense Strategy points out, long-term strategic competition with China is a principal priority for the Department of Defense, requiring an investment and attention that is both increased and sustained. American security and American economic prosperity are both at stake.

The National Defense Strategy states, quote, “China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy,” end quote.

Countering China’s all-of-nation strategy is a real challenge for us. In recent years, we have frequently read or heard admonitions to integrate all elements of America’s national power—political, economic, and military—but we have not yet really done so.

If China chooses a path of responsible participation in world affairs, we should welcome and encourage it. But the U.S. must also be ready, able, and willing, working with our allies and partners, to adjust to other choices that China may make.

In his book, “Destined for War,” Graham Allison points to two difficult truths, and I quote: “First, on the current trajectory, war between U.S. and China in the decades ahead is not just possible, but much more likely than currently recognized. Indeed, on the historical record, war is more likely than not. Second, war is not inevi-

table. History shows that major ruling powers can manage relations with rivals, even those that threaten to overtake them, without triggering a war.” End of Dr. Allison’s quote.

The bottom line is, a lot is at stake. And I look forward to hearing the insights of our witnesses today, as we sort through these various issues.

Let me yield to the gentlelady from California as the acting ranking member.

[The prepared statement of Mr. Thornberry can be found in the Appendix on page 37.]

Mrs. DAVIS. Thank you, Mr. Chairman. I will just go ahead and put Mr. Smith, ranking member’s, comments in the record, and look forward to the testimony. Thank you very much.

[The prepared statement of Mr. Smith can be found in the Appendix on page 38.]

The CHAIRMAN. I thank the gentlelady. Again, I appreciate both witnesses being here. Without objection, your full written statements will be made part of the record. And also, without objection, a paper that Dr. Friedberg has written for the Office of Net Assessment on the strategy China, “NSC 68 at 68” I think is the title, will also be made part of the record. And let me highly encourage members to read that, which I have. I think it gives us some very useful options for going forward.

[The information referred to can be found in the Appendix on page 65.]

The CHAIRMAN. Again, I appreciate both of you for being here. Dr. Friedberg, the floor is yours.

STATEMENT OF AARON L. FRIEDBERG, PROFESSOR OF POLITICS AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY, WOODROW WILSON SCHOOL

Dr. FRIEDBERG. Thank you very much, Chairman Thornberry, members of the committee. Thank you for inviting me to be here today. It is an honor for me.

In the time available, I would like to try to make three main points. First, the strategy that this country has been pursuing towards China over the past 25 years has failed.

Second, as the chairman mentioned, China is presently following a wide-ranging, whole-of-government or whole-of-nation strategy that aims to displace the United States as the preponderant power in East Asia and I think ultimately the world.

Third, meeting this challenge will require that we adopt a new and comprehensive strategy of our own, one that more effectively mobilizes, integrates, and applies all of the various instruments of our national power and also those of our partners. This is doable. And unfortunately, we have not done it yet. I don’t think we are currently doing it adequately. Time is getting short.

Let me expand briefly on each of these points. Following the end of the Cold War, the United States adopted a two-pronged approach for dealing with China. On the one hand, we sought to engage China across all fronts, diplomatic, cultural, scientific, and above all, economic. But at the same time, successive U.S. administrations worked to maintain a favorable balance of power in the Asia-Pacific region. We strengthened our own forward-based forces.

We bolstered our traditional alliances. And we built new quasi-alliance partnerships with other countries, like Singapore and more recently India.

So we pursued a strategy that involved engagement on the one hand, but also balancing. And the goals of that two-pronged strategy were essentially to preserve stability while waiting for engagement effectively to work its magic on China. Engagement was supposed to encourage China's leaders to see their interests as lying in the maintenance and strengthening of the existing U.S.-led international order, while at the same time accelerating liberalization of its economy and eventually the democratization of its political system.

Since the turn of the century, and especially in the last 10 years, it is become increasingly evident that this approach has failed to achieve its objectives. China has obviously become far richer and stronger, but instead of loosening its grip, the country's Communist Party regime has become even more repressive and more militantly nationalistic. Instead of evolving towards a truly market-based economy, as it was hoped and expected, Beijing continues to pursue—and in certain respects has expanded—its use of state-directed, market-distorting, mercantilist economic policies.

And finally, China's external behavior, its attitude towards its neighbors and towards the United States, as well, has become assertive and even in certain respects aggressive. China's military build-up is beginning to tilt the balance of military power away from us and our allies and towards China, and I would say China is now quite clearly a revisionist power. It seeks to change important aspects of the existing order in Asia and increasingly the wider world, as well.

And although all of these tendencies were present and have been present for some time, they were amplified by the effects of the financial crisis and even more by the rise to power of Xi Jinping in 2013.

Regarding China's strategy, like their predecessors, Xi and his colleagues are driven by a mix of insecurity and ambition. They fear dissent, social instability, and political unrest, and they are convinced that the United States and its democratic allies are out to encircle their country and to undermine their regime.

At the same time, especially since the crisis, the financial crisis of 2008, China's leaders have concluded that America is in decline, that their own power is on the rise, and that the moment has come for China to reclaim its rightful place in the world.

But even this overall long-term confidence is tinged with uncertainty and a sense of urgency. China's rulers know that they face serious difficulties in sustaining economic growth and meeting the demands of an increasingly complex and rapidly aging society. And no matter what their propaganda organs say, they continue to have a healthy respect for the resilience and power of the American system.

One reason that they are pressing so hard now, I think, is that they see a window of opportunity that may not stay open forever. They want to lock in the gains that they made and advance towards their goals. So what are those goals?

First and foremost, to preserve the Chinese Communist Party's monopoly on domestic political power. I think everything they do at home and abroad is motivated by that desire. Second, to restore China to what they see as its rightful place as the preponderant power in eastern Eurasia, including both its continental and maritime domains. And, third, to become a truly global player with power, presence, and influence on par with, and eventually superior to, that of the United States.

As suggested at the outset, China seeks to integrate all of the various instruments of its power in pursuit of these goals. I have discussed this in greater detail in my written testimony and in a longer paper that Chairman Thornberry kindly mentioned, that I have submitted for inclusion in the record.

To sum up very briefly, I think Beijing is trying to use its expanding military capabilities to push the United States away from East Asia and to weaken our alliances. It is deploying diplomatic and economic tools in tandem to try to pull others towards China and to extend its influence in Asia and beyond. And last but not least, under Xi Jinping, China has become more aggressive in using information or political warfare to try to undermine and weaken the ability and resolve of other countries, including the United States, to resist its efforts.

Although they have thus far met with mixed results, China's efforts are impressive in their scope and ambition and in the resources that they bring to bear. So how should the United States respond? Let me just touch on a few of the main points that I try to elaborate in the written testimony, focusing primarily on the regional as opposed to the global dimension of our strategy.

First, if we are going to have a strategy, we have to be clear about what the objectives are, and the objectives that we pursued previously I think are for the time being out of reach. I think as a result our objectives are going to have to be defined for the time being in largely defensive terms, to prevent the direct physical or indirect economic and geopolitical domination by China of Eastern Eurasia, and especially maritime East Asia, and to preserve the openness of the global commons, especially the waters and airspace of the vast Indo-Pacific region that connect them to one another and to us.

Regarding the means, to achieve these ends I don't think we have to abandon the mixed strategy that we have been pursuing since the end of the Cold War, but we are going to have to adjust the blend of its elements. We and our allies will have to intensify our joint efforts in maintaining a favorable balance of power, even as China continues to grow strong, while at the same time not cutting, but modulating and in certain respects constricting our present posture of open and essentially unconstrained engagement with China. This is what might be called a countervailing strategy, rather than a strategy of containment.

In the military realm, we need to counter China's efforts to raise doubts about our ability and willingness to project and sustain power in the Western Pacific in order to uphold our alliances and ensure freedom of navigation, and we need to find ways of doing this that will allow us to regain the initiative in the long-term military competition, increasing the burdens that China has to bear

relative to those of the United States and its allies. And obviously, this requires money, but even more I think it demands strategic innovation.

Somewhat more concretely, we need to make progress in three interrelated areas—countering and offsetting China’s expanding anti-access/area denial network. The previous administration talked about and began the process of implementing a so-called Air-Sea Battle doctrine that was withdrawn for various reasons. It is not clear to me what the replacement for that yet is, but I think there has to be one.

Secondly, strengthening the capability and credibility of our extended nuclear guarantee. I think the administration’s recent Nuclear Posture Review was a step in the right direction here.

And strengthening the ability of our friends and allies to withstand Chinese attempts at coercion using its developing power projection capabilities, including its capabilities for the so-called gray zone, paramilitary capabilities.

In the diplomatic domain, we need to strengthen and extend our network of alliance and quasi-alliance ties, even as China tries to weaken and fragment them. Bolstering the credibility of our military security guarantees is essential to that effort, but there is more that can and should be done. If we don’t want others in the region to be drawn ever more closely into a Chinese-dominated economic co-prosperity sphere, we need to provide them with the greatest possible opportunity to remain engaged in mutually beneficial trade and investment with us and with one another, and that is why in my view the Trans-Pacific Partnership was a good idea, certainly from a strategic perspective, and withdrawing from it I think sent a disturbing signal.

One part of the line that China is pushing in Asia is that the United States is a declining power with an increasingly narrow view of its own interests and that its commitments are therefore unreliable. To counter this narrative, U.S. diplomacy should highlight the common values that link it with its major regional allies and strategic partners, including, I think, India and also Taiwan, as well as Japan, South Korea, Australia, and others.

Aside from commercial interests or purely geopolitical concerns about physical security, these shared beliefs provide an enduring foundation for cooperation. And here are two. I think there is more that can and should be done.

As regards the economic dimension of our countervailing strategy, I don’t believe that we can any longer afford to treat China as just another trading partner. It is not, both because of its refusal to abandon mercantilist policy tools and because it has clearly become a strategic rival of the United States. And we need to adjust our approach to economic engagement with China to take account of these realities, and this in my view would involve, among other things, joining forces with other advanced industrial democracies to pressure China to modify or abandon some of its more egregious market-distorting policies, doing more to maintain our edge in strategically relevant technologies, including both measures to stimulate innovation here, but also to slow the diffusion or transfer of critical technologies to China. In my view, the CFIUS [Committee on Foreign Investment in the United States] reform

bill that is working its way through Congress is a step in the right direction here.

We have to reduce our vulnerability to possible Chinese economic leverage and counter Chinese attempts to exert economic leverage over other nations, including through its so-called Belt and Road initiative, and we have to take steps to maintain an adequate defense industrial base.

Finally, our strategy for countering China's political warfare campaign must have both defensive and offensive elements. And I think it is going to have to involve both government and the private sector. Regarding the defensive side of the equation, we need to do more to prevent hostile foreign powers that do not share our values from exploiting the openness of our system. So, among other things, I think the Federal Government should invest more resources in domestic counterintelligence targeted at this particular problem, but private-sector organizations and institutions, too, including think tanks and universities will have to take much of the responsibility for countering foreign influence attempts that are inappropriately manipulative and intrusive, even if they are not flatly illegal. And the best defense against many of these techniques I think is transparency.

In addition to strengthening its own defenses, the United States should assist friendly governments seeking to harden themselves against Chinese influence operations. I think we are already doing that, for example, with Australia.

Finally, U.S. political warfare strategy must also include an offensive component that seeks to convey certain messages to our friends, to our allies, to neutral parties, and to the extent that they can be reached, to the Chinese people, as well. Despite its protestations of benign intent, the CCP [Chinese Communist Party] regime is engaged in activities on a massive scale that are aggressive, destabilizing, flout international norms, and impose disproportionate costs on other societies.

Notwithstanding the impressive growth of its material power, China has numerous social, economic, and environmental problems, and absent significant changes in the character of its domestic political system, its continued rise, to say nothing of its ability eventually to dominate Asia, perhaps the world, are by no means inevitable.

Whatever its other accomplishments, the Chinese political system is brutal, repressive and profoundly corrupt. The CCP enriches its own members and their families even as it denies ordinary Chinese people the right to express their opinions, to choose their leaders, and to worship as they see fit.

Fearful of its own people, the CCP regime invests enormous resources in monitoring and trying to control their activities. And this is a sign of weakness and vulnerability, not of strength. And it is a fact that we need to take into account as we seek to recalibrate our strategy for engaging with China.

Thank you very much.

[The prepared statement of Dr. Friedberg can be found in the Appendix on page 40.]

The CHAIRMAN. Thank you. Dr. Ratner.

STATEMENT OF ELY RATNER, MAURICE R. GREENBERG SENIOR FELLOW FOR CHINA STUDIES, COUNCIL ON FOREIGN RELATIONS

Dr. RATNER. Thank you, Chairman Thornberry, Ranking Member Smith, distinguished members of the committee. Thank you for the opportunity to testify today on a topic of vital importance to the future of the United States.

Let me start my testimony with four top-line observations on what I see as the current state of the U.S.-China competition. Number one, the United States and China are, in fact, now locked in a geopolitical competition that will ultimately determine the rules, norms, and institutions that govern international relations in the coming decades.

Number two, the United States on balance is currently losing this competition in ways that increase the likelihood not just of the erosion of the U.S.-led order, but also the rise of an illiberal China-dominated Asia and beyond.

To be concrete, here is what this would mean for the United States: weaker alliances, fewer security partners, and a military forced to operate at greater distances; U.S. firms without access to leading technologies and markets and disadvantaged by unique standards, investment rules, and trading blocks; weak international and regional institutions unable to resist Chinese coercion; and a secular decline in democracy and individual freedoms around the world. The net result would be a less secure and less prosperous United States that is less able to exert power and influence in the world.

Number three, the U.S. government has failed to approach this competition with anything approximating its importance for the country's future. Much of Washington remains unfocused on the China challenge, and although the Trump administration has sounded some of the right notes in its first National Security Strategy and National Defense Strategy, many of its foreign and domestic policies do not reflect a government committed to projecting or sustaining power and leadership in Asia and the world.

Number four, despite these trends, the United States can still, in fact, arrest China's momentum and prevent the growth of an illiberal order in Asia and internationally. The foundations of American power are strong and we can preserve our interests and turn this thing around if we muster the necessary strategy, attention, and resources.

Turning to recommendations for U.S. policy, I should underscore and agree with what Dr. Friedberg said at the outset, that succeeding in strategic competition with China will require a comprehensive whole-of-government policy across security, economics, politics, diplomacy, information, and ideology. These all interact with one another and actually cannot be separated out from each other.

In my written testimony, I provide several policy recommendations for Congress to consider. Let me use just the balance of my time to highlight four specific issues for your attention.

First, Congress should prioritize defense resources for the China challenge. Our military investments and the way we use the force should reflect the statement in the National Defense Strategy that inter-state strategic competition, not terrorism, is the primary con-

cern in U.S. national security. This should include reducing our footprint in Afghanistan and the Middle East and shifting limited resources to the Pacific.

We also need to ensure, as is definitively not the case today, that U.S. partners associated with the China challenge, as compared to those in other regions, are receiving an appropriate proportion of the U.S. defense trade and arms transfers.

Second, it will be imperative for the United States to avoid wars of choice, especially with North Korea. A preventive war with North Korea would make it far more difficult, if not impossible, for the United States to succeed in a strategic competition with China. Put another way, a decision to attack North Korea to deny them a nuclear capability in the absence of an act of North Korean aggression would likely forfeit the strategic competition with China.

Third, with respect to the economic competition, it is absolutely essential for the United States to rejoin the Trans-Pacific Partnership. China's coercive power and influence are growing in the absence of U.S. economic leadership, and even a \$1 trillion U.S. defense budget would not make up the difference if countries in the region perceive China as economically dominant and the center of the region's economic future.

In response, the United States can't just be playing defense with CFIUS reform and export controls, as important as those efforts are. We need to play offense, with a multilateral initiative to strengthen the rules of the international trading and investment system.

Fourth and finally, Mr. Chairman, Congress should increase support for U.S. information operations and strategic messaging. Ideology and information are going to be central to this competition in ways we have not experienced since the end of the Cold War. Congress should call upon the Broadcasting Board of Governors in Radio Free Asia to testify on what it would take to significantly expand their China-related content throughout the region and beyond to provide a counterweight to China's global propaganda operation.

Related to this, as Dr. Friedberg mentioned, the United States should also work with like-minded partners to root out malign Chinese Communist Party influence operations that are shaping information and debates about China around the world. Alternatively, failing to address this information space will make it much more difficult to succeed in other areas of the competition.

Mr. Chairman, thank you for the opportunity to be here today, and I look forward to your questions.

[The prepared statement of Dr. Ratner can be found in the Appendix on page 53.]

The CHAIRMAN. Thank you. Thank you both. There is a lot to pursue there. I just want to, I guess, ask one question. And that—and you have both talked about whole-of-government, everything is integral, we have got to do better. But I want to just pull out for a second the military aspect.

So if China thinks that we are in decline, that there is a narrowing window of opportunity for them, to what extent does that reflect their perception of our willingness to spend on defense, our willingness to be innovative? What portion of this perception that

we are in decline is military versus other economic, social, other aspects? Dr. Friedberg.

Dr. FRIEDBERG. Chinese spend a lot of time making these judgments and assessments. They devote enormous energy—

The CHAIRMAN. Would you pull that microphone right in front of you, please?

Dr. FRIEDBERG. I am sorry. They take very seriously this process of trying to assess trends, long-term trends. I think the answer to your question, my own sense is that if they look now at the situation in the world and in the Western Pacific in particular, they don't have any illusions about our military superiority and the strength of our alliances and so on.

But as they look over the longer term, and in particular as they assess those societal trends, the character of our political discourse, our economic dynamism, and so on, I think for those reasons they believe that these long-term trends are running in their favor and that our resolve may weaken before our actual capabilities weaken. So it is partly about the military balance, but it is more about the future and these longer-term trends.

The CHAIRMAN. Okay, so explain to me if you would just the window of opportunity that you said they could see closing soon.

Dr. FRIEDBERG. Two aspects of this. The Chinese doctrine or discussion of the strategic environment and competition has included for some time the notion that China has a 20-year window of strategic opportunity that started in 2002. And the idea is that Chinese strategists at that point, I think in part because of 9/11 and their recognition that the United States was going to be preoccupied in other places with other problems, would have an opportunity, unharassed, to develop its power and increasing its influence, but they have never believed that that was going to go on forever and that the competition would intensify.

I think a little more concretely and specially, I think they—as I mentioned—regard the 2008 financial crisis as a major setback for us and for our system and for the idea that we sort of know what we are doing, our confidence and our resources. And I think also as they look at our political discourse today and divisions in our country and difficulty in reaching consensus about a whole array of issues, they see that, too, as providing an opportunity and they want to take advantage of it.

The CHAIRMAN. Okay, Dr. Ratner, to what extent does military play into this perception of us?

Dr. RATNER. I guess I would agree with Dr. Friedberg. I think the Chinese still respect U.S. military power in and of itself. I think where they have come to doubt us is in our resolve and attention. And in the South China Sea, for instance, I think they have been surprised at how easily they have been able to build out their sphere of influence, in essence pushing on an open door, and leading to so much self-deterrence on the United States and fear of confrontation.

Mr. Chairman, I know you cited Graham Allison's book and the Thucydides trap in terms of concerns about conflict between rising powers. I am much more concerned that a Chinese sphere of influence, Chinese domination will result from a permissive environ-

ment that we create by our inattention, rather than conflict as a result of being too confrontational.

And I would agree with Dr. Friedberg that the political and economic components of this related to at once the global financial crisis, but also the withdrawal of TPP [Trans-Pacific Partnership], compounded with some of the political dysfunction here in Washington, compounded with some of the diplomatic actions that the Trump administration has taken to withdraw U.S. leadership in the world, has created an opportunity that is more for them to fill a vacuum and avoid rather than even having to push the United States out of its leadership role.

The CHAIRMAN. Thank you. Ranking Member.

Mr. SMITH. Thank you, Mr. Chairman, and thank you for your testimony. It was very well summarized and I think a good outline of the problem and the challenge.

What countries in the Asia region do you think are most important for us in terms of building alliances to accomplish what we are talking about here? And I think you outlined it perfectly in terms of what China is trying to accomplish and why it is bad for us and bad for the globe. But it starts with the countries in the region, and the countries in the region are sort of trapped to some extent between—they have got a big powerful neighbor there. They may not like what they are doing, but how do they navigate that?

What are the most important countries? And what should we do to try to strengthen those alliances to maintain our friends and power in the Asia region?

Dr. FRIEDBERG. I think among our five traditional alliances, our formal mutual defense treaties and alliances in the region, the most—the big three are probably Japan, certainly the most important in terms of resources, and I think also commitment to cooperating with us in trying to counter the growth of Chinese power, which they feel is very directly threatening to their interests and even their survival.

The Republic of Korea certainly is still an important ally and partner of the United States, although I think the views in Korea about exactly what direction they want to go are perhaps more in play than is the case in Japan.

Australia, which has stepped up and really is playing a very important role I think in assisting us. It would be good if we had more cooperation, for example, from the Philippines in order to enable us better to counter what the Chinese are trying to do in the South China Sea. It would be good to have access to facilities and more active cooperation, perhaps, than we have had.

Non-alliance countries or countries to whom we don't extend a security guarantee are also important. Singapore has played a major role in helping us to maintain our naval presence in the region, and India I think in the long run, too, because of its resources and its attitude towards the region and towards China, and because of our ideological commonality will be a critically important partner, although there our relationship is really just getting going.

The issues I think differ in each case, but I think overall it is important for us to convey the sense that we are not going anywhere, we intend to stay in the region, to remain strong, and to

help our allies to defend themselves. I think there are opportunities for expanded defense cooperation, certainly with Japan.

There is something that is happening in the region I would say not in spite of us, but aside from what we are doing, which I think is very positive, which is that countries with whom we have sort of bilateral relationships are also now talking to one another and trying to cooperate more closely on strategic issues, Japan with India, for example, or Australia with India. Those are tendencies, too, that we should be encouraging.

But I think it would be a mistake to believe that somehow the balance of power is going to be maintained automatically because these countries fear China. They do. They want to maintain their autonomy. But they look to us for leadership. I think no one in the region believes that they can maintain a balance without us. We need to make sure that they believe that we will be there with them.

Dr. RATNER. Yes, my list would be similar to your specific question about which partners. I think Australia, Japan, and South Korea are clearly among the five, the most central to our security network in East Asia, and finding a way to keep the Philippine relationship survivable through this period with President Duterte will be really important, because we have an important historical and economic relationship with them, and they occupy a really important piece of geography. So we ought to keep our eye on that relationship, as well.

In terms of non-ally countries, I would echo Singapore and India. I would add to that list Indonesia and Vietnam. I think these are countries, Mr. Congressman—and I believe yesterday you described them before Admiral Harris as fence-sitters. I think that is a good description. And I think these are countries that don't want to live in a China-dominated Asia, but if push comes to shove, they will.

And they will—if they don't see an economic alternative and a security alternative, I think they will hold their nose and live with in a China-dominated order. So I think there is opportunity there. On the economic side, you know, clearly, again, providing alternatives to a China-dominated centric economic order is going to be really important. And if the Trans-Pacific Partnership is not politically possible right now, then the Trump administration needs to be coming forward with some bold and ambitious initiatives, some of which I think are germinating but none of which have appeared yet.

And on the security front, I would say, again, as I said in my oral testimony, I think we need to—if you look at the balance of the degrees to which we are building partner capacity in Asia versus other regions, it is quite disproportionately low. And so, for instance, the marquee initiative of the Asia Maritime Transparency Initiative—or, sorry, the major capacity-building initiative in Southeast Asia, I think this was \$450 million or \$425 million over 5 years, at a time when we are spending north of \$5 billion or \$10 billion in Afghanistan, does not look to me like a country that again, according to the National Security Strategy, is placing the China challenge at the top of its U.S. national security interest.

Mr. SMITH. Okay, thank you both. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Wilson is recognized for 5 minutes.

Mr. WILSON. Thank you, Mr. Chairman. Dr. Friedberg, I agree with you that China appreciates the resilience and power of the United States. I have had the opportunity to go on delegations to China. It was really meaningful to me. My dad served in the Flying Tigers in World War II. He developed a great affection for the Chinese people and he hoped for the best for them.

And then on my visits there, I have been at public presentations. I have also seen the monuments placed in recognition of the American military which served there during World War II, which they professed to me over and over again saved hundreds of thousands of lives of innocent Chinese civilians. So I have seen a positive.

But at the same time, as I believe it will be mutually beneficial for China and America to be partners, we have a circumstance—and this is for both of you—of Chinese propaganda operations in the United States. And that is specifically I would like to hear your thoughts concerning the Confucius Institutes and the role they perform for the Chinese government within America.

Since 2005, more than 100 Confucius Institutes have opened at American colleges and universities. Last year, the number of Confucius Institutes in the world rose by 40 percent. They are funded by the Chinese Government's Ministry of Education, and in 2009, the head of the propaganda for the Chinese Communist Party called the Confucius Institutes, quote, "an important part of China's overseas propaganda set-up," end of quote.

Some of these universities also host research center laboratories with the U.S. Department of Defense, where they conduct highly sensitive research. For each of you, do you believe the Confucius Institutes pose a threat to university-affiliated research center laboratories which conduct highly sensitive research on behalf of the Department of Defense?

Dr. FRIEDBERG. Thank you. I agree the Chinese operations, information operations, propaganda, political warfare as they use the term, are pervasive in democratic societies, including our own, and I think we are just starting to pay adequate attention to this.

Confucius Institutes originally were presented as mechanisms for encouraging Chinese language education in the United States and for introducing students and others to Chinese culture. They appear benign, and I suppose in some sense, some of their activities might be, but as you mentioned, they have this tie to the Chinese regime. They have also allegedly in a number of instances played a role in shaping discussion on college campuses and elsewhere of issues related to China and suppressing the expression of some views that the Chinese regime finds offensive.

I think one of the features of the Confucius Institutes that has now aroused the greatest concern is that they in many cases involved essentially secret covenants between the funders and the host institutions, the universities, signed agreements that were not made public. And so there has been a kind of backlash against this, and I think on balance that is a good thing.

There is another—there are several other sets of issues that you mentioned about research cooperation, about the role of Chinese students, visiting faculty at universities, and what risks that may pose, and the director of the FBI [Federal Bureau of Investigation] I think raised some questions about this in testimony before the

Senate Intelligence Committee. Those are obviously very sensitive questions.

I think there is a problem here. We have to be careful how we deal with it so that we are dealing fairly with students who come to this country and also people who may be of Chinese ethnicity that are American citizens and should not be exposed to prejudice or accused of things that they are not guilty of.

There is also another aspect—if I could just very briefly touch on it—which I think may be more important than all of this, which is the nature of the relationships between Chinese and American businesses. Chinese investment in the United States, the pressure that the regime has put on American and other foreign companies to transfer advanced technology to China in order to have access to the Chinese market, that I think is a real and pressing area of strategic concern, as well.

Mr. WILSON. Thank you. And Dr. Ratner.

Dr. RATNER. Yes, I would only add that I think transparency is the answer here. I think to the degree that, you know, universities should be responsible and held accountable to both making public the amount of money that they are receiving from the Chinese Government, as well as what the specifics of those arrangements are, and to the extent that those deals are made public, I think the record of the last several months and years has been that they get corrected, again, sort of through transparency.

And I would just add, I think the university issue is an important area, but I would agree with Dr. Friedberg that I think we do need a broader conversation about the role of the private sector in this discussion, as well as the role of the U.S. media and self-censorship, as well as the entertainment industry in the United States. So this isn't just a problem in universities.

Mr. WILSON. Thank you very much.

The CHAIRMAN. Ms. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman. And thank you both for joining with us today. I don't know if you happened to see the testimony yesterday, but Admiral Harris told the committee that he thinks North Korea's Kim Jong-un seeks to reunify the Korean Peninsula under his control, thinking about his grandfather, his father, and their failure to do that.

So he is really—suggesting that he is on a path to achieve a united Korean Peninsula that is subject to Kim and the Communist regime. I wondered if you agree with that position or whether you think Kim Jong-un is motivated only by regime survival. What do you think China believes that his intentions are?

Dr. FRIEDBERG. Based on what I know about North Korea—and that was an issue that I worked on when I was in the government in the George W. Bush administration—I agree with Admiral Harris. I think that has been the goal of the North Korean regime going back to its founding. Kim Jong-un is not different in that regard, although he has capabilities that his father and grandfather sought, but had not yet acquired, and that makes him a greater threat.

So, yes, I don't think he is intending just to survive. I think in his dreams he imagines being the great unifier of Korea. I do not think that that is plausible. I think we have to make sure that we

deter any effort to achieve that through the use of coercion or force, but we have to be aware that those, in fact, are the objectives of the regime. It may appear crazy to us, but I don't think it is to Kim Jong-un or to the people around him.

I think the Chinese assessment of North Korea is in flux. There is no love lost between the Chinese regime and the present North Korean regime. I think they are worried and annoyed at the things that he has done to provoke the United States, in part because they fear that is going to strengthen our defense position and our alliances there; but I think, unfortunately, the record shows that the Chinese regime is simply not willing to apply the kind of pressure that they could conceivably to North Korea to reach what we would regard as a satisfactory resolution of this standoff.

Mrs. DAVIS. Yes. Dr. Ratner.

Dr. RATNER. Yes, I am going to slightly disagree here. I think my answer to the question of what are Kim Jong-un's intentions is we don't know. And I think I would be a little cautious about—I mean, I think people have instincts and guesses. I would be cautious about anyone stating with certainty.

I spent the last 2 years of the Obama administration in the White House seeing and reading all sorts of U.S. intelligence. I didn't come to that conclusion. And I think we ought to be cautious about doing so.

I also think his intentions may change, and that is something we should keep an eye on. As capabilities grow, intentions grow, as well, so it is not impossible. But I think what we have seen so far suggests to me that a policy of deterrence and containment is the appropriate approach right now, given what would be the terrible costs of preventive war.

Mrs. DAVIS. And China's view of his intentions? The same?

Dr. RATNER. I don't know about China's views of his intentions. I think China is looking out for its own interests, which is stability, and they are going to do whatever they can to prevent conflict on the peninsula. And I think that is what we have seen so far; so they are engaging in a constant balancing act between applying enough pressure to keep the Trump administration at bay without so much pressure as to potentially destabilize the regime. So I think they have tried to stay in that box so far.

Mrs. DAVIS. Thank you. I wanted to just—one other question. I mean, we all talk about the difference between our open system and obviously their closed system in that sense. So they have some cultural vulnerabilities, as well.

How can we better leverage some of those weaknesses in strategic competition with them? And I am thinking about, obviously, the violation of human rights, freedom of expression, adherence to the rule of law. How do we leverage that? And what kind of job are we doing?

Dr. FRIEDBERG. I think that is a crucial question and an extremely difficult one to answer, especially as China has gotten richer and more powerful. But overall, it seems to me that it is a mistake for us to back away from talking about these issues, raising these issues, raising them in a general way in public, raising them with our Chinese counterparts.

I think we have become more and more wary about doing that as China has grown richer and stronger. And that is a mistake. Now, to believe that we can directly or even indirectly have a major influence on the course of the evolution of this vast society and complex political system is an illusion. It is one that I think underpinned our strategy for a long time.

I guess I would say just generally, we have to continue to believe in the things that we believe in, and not seem to have doubts about the values on which our system is based.

I guess one last thing. We talk sometimes about American values, but in fact our system is founded on what we believe to be universal values. It is not our system. It is our belief in the sanctity of the individual and all that follows from that. And we have to make sure that people understand that we do believe in those things.

Mrs. DAVIS. Thank you.

The CHAIRMAN. Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. I would like to thank our witnesses for joining us.

Dr. Friedberg, I would like to go to you first. In your testimony, you point to China's operations in the South China Sea. You talk specifically about what they have done in expansion areas there. We know some of those islands are as big as Washington, DC.

We also know that they have unveiled a new dredging, reef-building, island-building ship called the Tiankun. And it can dredge up to 211 cubic feet of material every hour. That is two-and-a-half Olympic-sized swimming pools. Pretty amazing. We think with that they can build up to nine additional islands, fortify—or nine new islands, fortify existing islands, which really to me reinforces their intent to dominate—not just have a presence, but to dominate the South China Sea area, to push others out.

And I want to go to your testimony where you say the true significance of these islands in the South China Sea may lie not in whatever role they might play in future conflict, but in the seemingly inability or unwillingness of the United States to prevent them from being built. I think that is a great point.

Give me your perspective about what we clearly see from China and their efforts to expand and fortify this island chain. What does that mean to the United States? And what can we do currently to dissuade them or to stop that current effort?

Dr. FRIEDBERG. Thank you very much. Yes, China is I think trying now vigorously to assert longstanding claims to control virtually all of the water surface features, resources of the South China Sea. And they are doing it through the use of a variety of means, including this creation of artificial islands.

In my view, as I mentioned in the testimony, as you quoted, the significance of this in part was to demonstrate that they could do it and we were not willing to stop them. And I think they kept on going because we did not have a very strong response.

I do not think we can undo this. And probably we are not going to be able to significantly slow or prevent them from continuing with it. But what does it mean in the longer run? They are going to create these positions. These will enable them better to project

and to maintain military power and a presence across this entire region.

The significance of these fortified islands in a conflict with the United States or a big power is probably not great. They are very vulnerable. They could be easily destroyed in the opening stages of a conflict. Their significance in a possible confrontation with only the local powers, however, would be great.

As far as what we can do about it, I think probably there are layers to the answer. One is, we have to make sure that we are able to maintain ourselves a more or less continuous presence in that region. We both mentioned the value of the Philippines and access to the Philippines for this purpose.

In the long run, we have to develop and help our allies to acquire capabilities that could be used to neutralize some of the capabilities that the Chinese are developing in the region. But part of what we need to do is symbolic, but nonetheless important for being so.

We need to deny the existence or not accept the reality of any attempt by the Chinese to impose zones of exclusion in the air or on the sea that exceed what they are entitled to under international law. So we need to demonstrate, and our friends and allies, too, our willingness to sail and fly wherever international law permits.

We have done that in a rather sporadic way. I think we have called great attention to what we intended to do, and then we have not necessarily followed through. But there are a lot of other countries that share our concern. The British just sent a British Royal Navy vessel to sail through these waters. The French have expressed some interest in doing it. The regional countries, as well. We should be working with our partners to make sure that on any given day there are ships and aircraft passing through this zone, regardless of what the Chinese say.

Mr. WITTMAN. Very good, thanks. Dr. Ratner, I want to go to your testimony where you talked about the efforts of China to reduce U.S. influence in the Indo-Pacific region and to exclude in certain areas, push us out. Give me your perspective on the things that China is doing now to exacerbate that even more, to make us stand off even further distances.

With the development of hypersonics, you know, they are developing the DF-17, which has an extended range out to 2,300 kilometers. Give us your perspective on what they are doing there and the continued effort to push us out, to exclude us in those areas, and hold at risk our assets in that region and where they are with the advancement of this very troubling technology.

Dr. RATNER. I think that is right, Mr. Congressman, and it is really a whole suite of military capabilities that they have been developing that have made it increasingly risky for us to project power into the Western Pacific. And I think that is a real problem, politically, as well. They are driving divisions between us and our allies, undermining our partnerships with other countries, and economically, as well, through the Belt and Road initiative.

So I would look at this very comprehensively. I think the military piece is important, but it is one of a much larger puzzle.

Mr. WITTMAN. Very good. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. And I would like to thank the witnesses, as well. Wanted to reiterate the point that both of them made, that the TPP agreement is in the United States best interests. And it sounds like both witnesses strongly supported bringing that agreement to fruition.

When Dr. Friedberg opened his statement, he said unequivocally that U.S. policy toward China had failed. That sounds like you were too polite to say that we are now in the post-Kissinger era. Was Dr. Kissinger naive perhaps?

Dr. FRIEDBERG. Dr. Kissinger is many things, but naive is not one of those things.

Mr. COOPER. Well, wrong then.

Dr. FRIEDBERG. No, I think we made a bet. We had a strategy that was based on a certain set of assumptions that were not entirely unreasonable, that through engaging China we could encourage favorable trends that would lead ultimately to its transformation.

Thinking back to when we really decided particularly on the economic front to pursue that element of our strategy, it is in the immediate aftermath of the end of the Cold War, the early 1990s. I think there was a belief that authoritarian regimes were on the way out and that there would be change quickly in China. This is also in the wake of Tiananmen, so it didn't seem like it was so far-fetched.

The problem is that we became addicted economically and I think in a sense psychologically, as well, to the idea that simply continuing what we were doing would achieve these desirable strategic effects. It was economically beneficial to some sectors in our economy, although clearly not to others. And it appeared to be the reasonable thing to do. It wasn't obvious what the alternative was.

So it is difficult for me looking back to fault people for making those choices. I guess the problem was and remains our unwillingness to acknowledge the accumulating evidence of the reality of what has been happening in China and our difficulty, which continues down to the present, of—in wrestling with the question of how we now want to, as I said, modulate, and in certain respects constrict our engagement.

We are having great difficulty with that. We seem to be in a world where we think it is one thing or the other. We are either completely open or somehow completely closed. And nobody wants to be completely closed. And I think that is one of the greatest challenges we face. Reform of our system for overseeing foreign direct investment is part of this, but there are a broader set of questions about the character of our trade, about technology transfer, investment by American firms in China, that we have really just started to deal with.

And we haven't made a lot of progress on that. And it is going to be difficult. There are a lot of interests, a lot of people who don't want any of that to change.

Mr. COOPER. Dr. Ratner.

Dr. RATNER. Yes, Congressman, I have an article just out this week in Foreign Affairs magazine with the former Assistant Secretary of State Kurt Campbell that makes this precise argument

that the assumptions that undergirded our strategy since the end of the Cold War simply haven't panned out across how our combination of balancing and engagement would lead to China's evolution of economic opening, political opening, some degree of willingness to live within the U.S.-led security order in Asia, and then how China would behave in terms of integrating into the international liberal order.

So I think what we are seeing today in terms of the National Defense Strategy and the National Security Strategy, I think we would have seen a version of this under a President Hillary Clinton, as well. So I don't think this is exclusive to President Trump or a Republican administration. I think we are at a moment of reckoning in our U.S.-China strategy, and I think we are wrestling now with, okay, we see the cognitive dissonance between what our expectations were and what the reality is, and what do we do next and how do we gear up for this competition?

And again, I would just say I think the—I support the Trump administration strategy documents, yet it would be good to see them filling out in the other components of U.S. policy to gear up for that competition.

Mr. COOPER. My time is running out. Any thoughts on the future of Hong Kong or Taiwan?

Dr. FRIEDBERG. I think the question of the future of Hong Kong has effectively been answered. The Beijing regime is increasing its grip on Hong Kong and suppressing efforts to maintain autonomy, although they haven't completed that yet.

The question of the future of Taiwan remains very much open. It is clear that the Beijing regime wants eventually to bring Taiwan under its control, and for the most part the people of Taiwan resist that. That is not a change. I think the problem is that the balance of power is shifting, and China's capabilities for forcibly imposing such a resolution to this longstanding standoff are growing, and that is a problem that we are going to have to face.

The CHAIRMAN. Ms. Hartzler.

Mrs. HARTZLER. Thank you. Dr. Ratner, I would be interested in your thoughts on the South China Sea. You said in your testimony that you think China was surprised at how quickly they were able to do it and the little resistance we got. What do you think we should have done? And/or most importantly, what do you think we should do now?

Dr. RATNER. Thank you, Congresswoman. I have written extensively on this issue. I think given where we are now, we can Monday morning quarterback about what we should have done 5 years ago. I think where we are now, I think we need to transition from a policy that was predicated on trying to restrain China through international law and dialogue to a policy predicated on militarizing the South China Sea on our own terms.

And that means in terms of the U.S. military, but also in terms of how we are going about building partner capacity among the other claimants and to what end, in terms of helping them build their own anti-access/area denial capabilities, turning China's military strategy on its head, and giving these countries counter-intervention capabilities.

I will say, though, that that strategy won't work unless the United States is viewed as a leader on economics and diplomacy, as well, because countries are going to be and already are increasingly reluctant to stick their necks out if they think that the future of the Asian economy is going to be with China and they will be punished or left out of opportunity for partnering with the United States or resisting China.

So I think there has to be an economic component to this. An informational component, as well. There is a very specific recommendation in my written testimony encouraging Congress to include a provision in the 2019 NDAA [National Defense Authorization Act] to require the State Department to produce a public report, quarterly report on Chinese activities in the South China Sea. I think we need to be putting this information and the images we have on the front pages of regional newspapers. We are not doing that, and it is making it easier for regional governments to turn the other cheek, to turn a blind eye to this.

Mrs. HARTZLER. That builds on one of my questions. I think you have answered it. Does the United States have a strategic communications strategy to counter China? And what would an effective one look like? So anything you want to expound on that?

Dr. RATNER. I think currently we are not focused on this area, and we absolutely will have to be, given the billions of dollars that China invests in shaping the narrative on the South China Sea. But the rest of the region, as well.

But as it relates to the South China Sea, they have been very effective selling a story of calm and only outside disturbance and influence, and that has led to ASEAN [Association of Southeast Asian Nations] and other regional institutions being willing to back off this issue. So we should be very focused on the information side of this.

Mrs. HARTZLER. And not just on South China Sea. My question is broader. I don't think most Americans know all of the whole-of-country plan that they have, and One Belt, One Road, and everything else. But last year, the South China Morning Post published an article describing efforts by China to exploit and gain access to U.S. nuclear weapons research by luring scientists back to China through financial incentives, appeals to patriotism, and the promise of better jobs.

So in an annual report to Congress, the Department of Defense noted that China is actively pursuing an intensive campaign to gain access to U.S. technology by using Chinese nationals such as students or researchers who are studying at U.S. universities and working in U.S. labs. What can Congress do to help the Department of Defense and the Department of Energy mitigate this very serious threat to our national security?

Dr. FRIEDBERG. There is a—I mean, there are activities that have to do with classified information and projects which presumably are protected or should be protected from participation by people who don't have appropriate clearances and aren't supposed to have access. That is a job that we should be doing.

I think, in fact, historically there are some examples where we seem to have failed and the Chinese in one way or another have gained access to information that has allowed them to move for-

ward more quickly in developing their nuclear capabilities and others. So there is a counterintelligence issue.

I think the more difficult problem lies in areas of so-called dual-use technology or emerging technologies that are being developed initially for commercial reasons, but which clearly have enormous potential for development of military systems, things like artificial intelligence, robotics, big data analytics, and so on. That seems to me to be the most difficult problem.

And that is also something that has—in my understanding, at least, has not been adequately covered by the mechanisms that we have for reviewing proposed investments by Chinese firms or firms that are linked by one step or two steps to China. And we have to scrutinize those and probably regulate them more carefully than we have in the past. If it is possible for venture capital firms to come and buy up start-ups that are doing work that may have enormous strategic significance, that is a problem for our security.

There will be objections to that, because it also involves commerce and openness. We don't want to shut ourselves off. But I think we have to start by looking at what is actually going on.

The CHAIRMAN. Ms. Hanabusa.

Ms. HANABUSA. Thank you, Mr. Chairman. Dr. Friedberg, the interesting thing about one of the publications that you attached is the concept of the NSC 68, which seems to be the genesis of the Cold War philosophy. And though you seem to have different points as to why it may not be as applicable, people do find an analogy to what is going on with China with what happened back then.

I guess my interest is more along the lines of, one of the confusions that I think people have is, what exactly is the Trump administration's position on isolationism? Which was, as you know, the genesis of the beginning of the whole Cold War discussion. You know, are we going to actively pursue in the Indo-Pacific or Asia-Pacific region? Or are we going to simply just react, which seems to be kind of the mode that we are in?

I believe if you heard Admiral Harris' testimony yesterday, one of the things that he keeps warning about is the fact that we created—the United States created a period of calm and sort of stability within Asia-Pacific and the beneficiary was China, not us. It was China. As a matter of fact, the whole concept of the pivot to Asia-Pacific was because the perception is we pivoted away and we concentrated on the Middle East instead.

And in the meantime, China grew, because there was no one there to keep China in check. So I would like to get a better sense of what you meant or why you even put in NSC 68. It seems to be there to prompt the discussion, and I am concerned about the isolationism issue.

Dr. FRIEDBERG. Thank you very much. Yes, I used the reference to NSC 68 for exactly the reason that you indicate. This is—the situations are not entirely comparable. In fact, they differ in many ways. But it seems to me we are probably in a period that resembles the one that we were in back in the late 1940s and maybe down to 1950, where we are not certain exactly what the character of our relationship is going to be with this new emerging power, but there is increasing concern about it, and where we have not yet

reached national consensus on how we are going to respond and what our strategy is going to be.

Now, the analogy breaks down, because I think the situation is different and the strategy has to be different. But it seems to me, as I said before, we have to find a position that is somewhere in between true containment, Cold War attempts to cut off trade and technology and so on—that is not going to happen—something between that and doing what we are doing now, which is not adequately defending our interests.

As far as—

Ms. HANABUSA. If I may just interrupt you there. But, see, Dr. Friedberg, the reason why it seems to be so analogous is that what our emphasis seems to be, especially with the release of the new NPR [Nuclear Posture Review], we seem to be going back to the triad and the whole issue of our dominance or our position militarily in the region seems to be shifting to nuclear.

And as a result of that, that is where I believe that the analogy also comes into play, if you would like to continue.

Dr. FRIEDBERG. On the nuclear issue, that is part of the equation. We have to, I think, do things to make sure that not only China, but Russia, too—Chinese and Russian leaders don't believe that they could use nuclear weapons in some limited way and we would not have an adequate response, and I think that is part of what the Nuclear Posture Review is getting at.

But I think the other levels of our capability, including in particular our conventional capability, are extremely important here and in fact probably in some ways more important. I mentioned the anti-access/area denial problem. We had a question about this. This is something that we have recognized now for over a decade, but we have not really I think fully and adequately addressed it.

I mentioned Air-Sea Battle. It had its problems, but it was a public and comprehensible response to a real problem. And I think whatever we are doing in secret in our war plans and our weapons development, at some point we have to be able to tell a story to our allies, to our own people, to China, about what our military strategy is going to be and why we think it is going to work. We did that in the Cold War. We had so-called flexible response.

Ms. HANABUSA. So, Doctor, you agree that we are not being very clear as to where we are standing on all of this and what our position is in the Indo-Pacific area?

Dr. FRIEDBERG. We are not being clear enough. I think we are starting to get greater clarity, but we are not close to where we need to be.

Ms. HANABUSA. Thank you very much. Mr. Chair, I yield back.

The CHAIRMAN. Mr. Gaetz.

Mr. GAETZ. Thank you, Mr. Chairman. I wanted to ask about China's systemic strategy of intellectual property theft, particularly at college campuses. You have each spoken to the value of transparency in that system. And I was wondering what tools might be available where research is being conducted at a college campus. You typically are in search of investment. You see what might be a thinly veiled Chinese business, but really it enjoys the support of the Chinese Government up here. And then the technology is then commercialized back in China.

What would be some of the forward-leaning strategies you would suggest for our higher education partners so that they don't fall into that trap?

Dr. FRIEDBERG. Well, I think the place to start, as you suggested, is with transparency. And part of the problem is that universities, but also think tanks and other institutions of that sort, are dealing with counterparts who have links, in fact, to the Chinese party and the Chinese state which are not immediately obvious.

So China has set up a number of foundations which are—appear to be analogs to American not-for-profit foundations that fund research and do other things in the United States and elsewhere. But if you look carefully at how they are structured, who the members of their boards are, there are obvious links to the party and they are part of what is called the so-called united front effort that China engages in.

So I would say—start with transparency. And the trustees of universities, for example, as well as faculty have to be aware if university administrators are signing agreements with entities that have these kinds of links. And in some cases, I think at least there will be an inclination not to engage in them.

There may also be legal questions. And I don't claim to be an expert on those or what our options would be there. But I think there are some things we probably just don't want to allow, connections between entities in China that are directly linked, for example, to the PLA [People's Liberation Army].

In Australia, PLA-linked research institutions have set up cooperative arrangements with Australian universities, and the Australian government is now re-examining those and probably is going to implement laws that forbid them. I don't know that we have had that degree of penetration. But if we did, it would be something that ought to be regulated.

But we need to start by shedding light on what the nature of these connections actually is.

Dr. RATNER. The only thing I would add would be, there is obviously a role here for the universities to get together themselves and in association groups and come up with standards of behavior or shared norms around how they are going to be accepting Chinese money. Because there is a little bit of a hang together or hang separately component to this kind of competition over funds, and if there were standards of transparency or otherwise and everyone was operating at the same level, that would create a fair playing field and not lead to some of these more secret, private, malicious agreements.

Mr. GAETZ. Thank you, Mr. Chairman. Yield back.

The CHAIRMAN. Mr. Panetta.

Mr. PANETTA. Thank you, Mr. Chairman. Gentlemen, thank you for being here. I appreciate your time, your efforts, as well as your expertise on this topic.

I am not sure which one of you mentioned, but you talked about that our allies need to feel like the United States is not going anywhere. My question to you is based on your expertise, do our allies—what do our allies feel about the United States and the future of our involvement in that area? You have probably been there. You have read a lot more than I have. And so I pose to you that

question, but I also want to ask, what is the propaganda efforts that are aiding any sort of sentiment about the United States future intention there, China's propaganda efforts? And is there anything that we are doing to counter those efforts, as well?

Dr. FRIEDBERG. Thank you. Of course, Asia is a big place. Each one of these countries is a big country.

Mr. PANETTA. Understood.

Dr. FRIEDBERG. So there is a range of views. If you look at some of the public opinion polls, there are expressions of uncertainty. If you talk to people privately, depending on where you are, I think there is a deep concern about where we are headed, maybe not in the short run—and there might have been immediately after our election, given some of the things that President Trump had said as a candidate about our allies and uncertainty about what he was going to do and some relief that none of the worst things actually happened. There was no tearing up of alliances and so on.

But there is a sense of uncertainty and concern—and I think also now an uncertainty about the functioning of our political system. If it is possible for an administration to come in which appears at least to be wanting to head off in a totally different direction, even if it doesn't this time around, could it happen the next time or the time after that?

I think there has been a degree of confidence in our presence and our commitment over the last 60, 70 years which is not as strong as it once was. And it has partly to do with us, but it also has to do with China. And you mentioned their propaganda efforts. Those are considerable and ongoing. Sometimes they are subtle. Sometimes they are not so subtle. Chinese counterparts in their contacts with Australian diplomats or South Koreans or academics will say, do you really want to be tied so closely to the United States? We are here. We are not going anywhere. The Americans are increasingly unreliable. It could be dangerous for you. You could get drawn into a conflict with us. You really should reconsider.

But maybe even more important than that, because they have done that for some time, is the fact that they now have these economic resources that they can bring to bear as an inducement to encourage closer cooperation and as a tool that they can use to try to punish other countries, including advanced industrial countries allied to the United States, for not doing things that China wants. And we have seen that in the case of South Korea. The Chinese imposed what were in effect economic sanctions, although they didn't say that, on Korea for agreeing to allow us to base part of our anti-missile defense system on their territory. And they inflicted real pain on South Korea. They backed off after a while, but I think the message was clear.

Mr. PANETTA. Mr. Ratner, I think one your four points, number four was strategic messaging. And I guess this kind of ties into that question. Do we need to do more of that to counter this propaganda?

Dr. RATNER. Yes, we absolutely do. And I think, again, the broader narrative in the region right now is one of Chinese ascension and American decline. And until we arrest that, how much steel we float out in the Pacific is going to make no difference.

And so I would put that right up there with the pillar now at this point of economics and politics and diplomacy and military. There is an informational, ideological component to this that we had stopped thinking about for 20 years that is going to be front and center to this competition. Our U.S. officials in their public engagements need to be talking more about the virtues of democracy and open markets, as well as related to an earlier comment highlighting some of the weaknesses of the Chinese system.

Because one of the things that we have seen over the last year or so, particularly over the last 6 months, is Xi Jinping and the Chinese government propaganda machine being very affirmative in their own alternative model of governance in the world. And that is something we do not want, because it is going to produce more economic and political liberalism in a way that is going to undermine United States interests and United States values.

So we need public officials talking about that. And we need Congress to devote more resources to the institutions that we have, like the Broadcasting Board of Governors, that can do strategic messaging and information operations around the world.

Mr. PANETTA. Great. Thank you, gentlemen. Thank you, Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Bacon.

Mr. BACON. Thank you, Mr. Chairman. And appreciate you both being here today. I had to step out for another committee hearing, so if I have duplicated a question, I apologize.

My first question is, do you think we are being clear with our messaging on our commitment to Taiwan? Or is there any ambiguity in China's mind, in your opinion, that we stand by our allies, the Taiwanese?

Dr. FRIEDBERG. I guess I would say on the one hand, no. I think the Chinese realize that we continue to regard Taiwan as an entity to whom we have a lasting commitment. We have the Taiwan Relations Act. We have a legal and now ideological commitment to Taiwan.

I don't think there is reason for them to doubt that for the moment. They may at the beginning of this administration have been concerned that perhaps we were going to go further in the other direction and do things that previously we had not to recognize or acknowledge Taiwan's autonomy. And that has not really happened, either.

The question is what they think about the long run and what they think about our commitment in the long term. And they are trying very hard to use all of the instruments of their power, as I said, to push us away, to make it seem that intervention, military intervention on the behalf of Taiwan would be a disaster for us, to deter us from doing that. At the same time, they have been developing economic ties with Taiwan and binding the island even more closely to the mainland, and they engage in political warfare in Taiwan, as well. In some ways, Taiwan is a microcosm of what they are now doing, I think regionally and globally, bringing to bear all of these instruments.

I guess I would say, the last thing, the concern is might the Chinese leaders at some point reach the conclusion that they could or had to act to resolve this issue once and for all? This has been on

the back burner for the last several years because the Taiwanese Government was one that the Chinese thought they could work with. It is changed in the last couple of years because of the Taiwanese elections.

Some people think Xi Jinping regards this, the solution of this problem as his ultimate legacy. I do not think that he is going to do anything immediate or rash, but I am concerned about how this is going to play out over the next couple of years.

Dr. RATNER. I would just say—I think that they are—I would agree fundamentally our position remains fairly strong there, but I do think there are two aspects to President Trump's approach to Asia policy to date that are of concern, as it relates specifically to Taiwan.

One is an overly narrow focus on North Korea and trade at the expense of other issues in the region. And I would put Taiwan in the same category as South China Sea in that regard. And then the other is just the degree to which President Trump has suggested at times a transactional nature of the U.S.-China relationship, where if you help with us on North Korea, maybe we will not come down on you so hard on trade. He even said publicly at times that his direct engagement with President Tsai Ing-wen would be either consulted upon with Beijing or determinative of the broader mood within the U.S.-China relationship.

So I think both of those are things that we should steer away from and we need a broader policy that is comprehensive and based on our interests and values and neither narrow nor transactional.

One solution to this for the Trump administration would be to think about very specifically how it thinks about integrating Taiwan into its Indo-Pacific strategy. So I think talking about Taiwan, the Taiwanese, and Tsai Ing-wen have talked about wanting to be a part of this, and seeing—and I think there is a lot of questions for countries outside the quad, specifically the India, Japan, Australia, United States arrangement—how do countries fit into this? And I think fitting in Taiwan in a very explicit way would be a useful way to buttress U.S. commitment.

Mr. BACON. One other question here. Dealing with North Korea, would you say China's—how would you rate them from 1 to 10, let's just say, on their economic pressure on North Korea? Are they like at a five? Or can they do a lot more economically or clamping down on financial or trade? I would love to have your thoughts. Would reintroduction of nuclear weapons by the United States into that area, would that be helpful as a leverage point? Thank you.

Dr. FRIEDBERG. It is a very good question. And now I am trying to do the math and figure out how I should give you an answer to that. It is definitely not 10. It is not zero. I think it fluctuates between two and four. They crank it up a little bit when they need to signal us that they are being helpful, but they undercut it at the same time by engaging in trade, allowing Chinese entities to operate on Chinese—rather, North Korean entities to operate on Chinese soil. There is a lot more that they could do to cut off the financial flows and to impose economic pain on North Korea if they wanted to do it.

Nuclear weapons, I don't think the South Koreans want us to put nuclear weapons back on the peninsula. I don't think we need to do it for military reasons, but especially if we fail in our efforts to denuclearize the north, the nuclear deterrent is going to be once again an increasingly important part of our posture there. And that is I think why some elements of what is suggested in the Nuclear Posture Review make a lot of sense.

Mr. BACON. Chair, I think I am out of time. I yield.

The CHAIRMAN. Mr. Veasey.

Mr. VEASEY. Thank you, Mr. Chairman. Dr. Friedberg, you talked earlier about how when the Chinese were upset about certain American presence in South Korea that they imposed what was essentially some form of sanctions. I was wondering, you know, if you go back to when Jimmy Carter said that he was going to pull out of the peninsula, and back then China was not the power that they are today, and the Chinese and the Russians, you know, asked for the American presence—for us to stay there, obviously, a lot of things have changed since the 1970s. China is much more powerful now.

But what would be their ultimate plan for the peninsula, if the United States were not there? I mean, to me, it seems like having us there right now while they are trying to ascend in military power around the world is somewhat convenient for them. I mean, what would they do with an armed North Korea, if the United States were not there?

Mr. FRIEDBERG. I think their objective, the Chinese objective in the long run, if they could get it, would be a perhaps unified Korean Peninsula under the control of a regime that was friendly and favorably disposed towards Beijing—

Mr. VEASEY. Even with nukes?

Dr. FRIEDBERG. They would I think prefer that that country not have nuclear weapons, but that it be neutral, effectively, that it terminate its alliance with the United States, that the U.S. military presence in Korea would be withdrawn. I think they feel like that would be a situation that they could work with. The economic ties that they now have to South Korea are so extensive, that gives them potential leverage.

They would like to see the peninsula neutralized. I do not think they would want to see it under the control of the north with nuclear weapons. I think that would be a nightmarish problem for them. Would they be satisfied with a democratic unified Korea with a government that was neutral and had pulled away from the United States? I think they probably would, provided that it was dependent on China, and acquiescent to China's wishes.

Mr. VEASEY. I also wanted to ask both of you to answer this one. When you start thinking about the long-term goals for the Chinese, of course, you know after World War II, we basically went to allies and said, you know, you can—in a post-World War II world, you can have a democracy and good governance and we sort of spread these Western ideas to other countries. And that standard has held pretty standard—or held pretty solid since World War II.

My question to you is, what do the Chinese—like, if America was to go into a decline and we were not to have the presence that we have in the Pacific right now, like what would the Chinese offer

these countries that have already bought into our philosophy of how you govern and how you lead around the world? Or would they just be okay with them doing their own thing? Would they not seek to impose their footprint in the way they govern in these areas around the Pacific?

Dr. FRIEDBERG. I think the—what the Chinese would like to do is to create not initially a global order, but a regional order that they would dominate with themselves at the center economically, politically, strategically, and that would be made up of countries that were favorably disposed to them, detached from the United States. Some portion of those countries, particularly along the so-called Belt and Road and especially on continental Eurasia, would have authoritarian regimes with which the Chinese are quite comfortable.

They would adhere to Chinese standards regarding movements of people. They would probably be part of a kind of authoritarian intranet that would be cut off from the rest of the world or regulated in its access. I think they have an emerging vision of a Eurasian system that is dominated by themselves and which is essentially an authoritarian subsystem within a larger global order.

You mentioned the end of the Second World War. We created a liberal order which consisted of democratic countries in Europe and Asia and North America. At the end of the Cold War, we tried to expand that system, hoping by bringing in countries like Russia and China, we could encourage them to transform. They have not done it. And now they are sort of lodged in our system and doing things to weaken and destabilize it. And that to me is the big problem that we have to deal with.

Mr. VEASEY. Thank you. Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Hice.

Mr. HICE. Thank you, Mr. Chairman. Let me just go a little bit further on that train of thought, then. And, Dr. Ratner, I will begin with you. I mean, looking at China's—not only their military flexing of the arm, but also the economic side of things, how are they using their economic strength to coerce other countries and governments to accept their own will, be it political or security-wise or what have you?

Dr. RATNER. That is a good question, Congressman, and it has been absolutely central to their broader foreign policy and security strategy to use their economic power to shape decision making around politics and diplomacy and security decisions. And I think that is the reason why, again, these perceptions of inevitability of Chinese economic dominance is so important. And they have been using a variety of inducements related to loans and assistance related to their Belt and Road strategy and have also been using a variety of penalties. And we have seen that with South Korea, as Dr. Friedberg mentioned.

We have seen it really throughout a number of countries in the region where Beijing will close off particular trading commodities or whatnot in response to their displeasure with an action by a government, whether it is cutting off salmon because of the Nobel Peace Prize that they didn't like from Europe.

So they have been using that quite proactively. And this is something that has been—is increasingly studied and I think people are

understanding how to get a better understanding of this. And there are a variety of ways in which we can support these countries defend themselves against this kind of coercion.

One, as I mentioned earlier, would be to build up higher standard trade investment rules to which these countries would find an alternative to Chinese economic coercion and economic power. And the other is, we can provide some of these countries with capacity to be able to evaluate some of these deals. So the Chinese often come with these debt-laden, high interest loans, where countries end up in debt traps and end up having to forfeit, for instance, critical infrastructure back to Beijing to pay back their loans. Those are things we can get out on the front end and help these countries make sure that the kinds of deals they are getting into with China are economically viable.

Mr. HICE. Okay, well, another issue with that—and I appreciate the answer—all right, we have got laws that we abide by, for example. There is countries out there committing human violations, and that impacts our trade with those countries, and we have certain laws that we abide by. Does China have similar laws? Or it appears to me that they don't.

So we hold back on trade, and they just move in. So how do we counter that aspect of it, as well? And I will just leave both of you—I would like to hear from both of you on that.

Dr. RATNER. I will just quickly and then turn it over to Dr. Friedberg. But I think there were elements, for instance, of the Trans-Pacific Partnership that included standards around labor standards, environmental standards, the rights of women, the rights of children. And the purpose of that is to prevent this race to the bottom which will occur in the absence of the United States putting forward its liberal values in the world. So I think that that is a real concern, and there are increasing cognizance around corporate social responsibility among Chinese firms.

But still certainly they don't have the environmental and social considerations and legal framework that we do.

Dr. FRIEDBERG. Yes, I agree with everything that Dr. Ratner has said. Just I guess a couple quick points. One of the things that is changed here has to do with, of course, the growth of the Chinese economy. Two things in particular. The size of the market and the fact that it is now so important that by threatening to cut off access to it, China really has considerable leverage that it can exert for political reasons, stopping buying salmon from Norway. It is a big deal for Norway, and it was a real punishment. They can use it for economic purposes to extract technology and so on.

And the other thing, of course, now is that they are an exporter of capital and they are making investments around the world. And one of the things that they are doing—one of the things they offer which they say is competitive with what is being offered by the West or better, is to simply ignore these issues of governance, human rights standards, and so on.

That is part of the package that they offer. They are essentially saying to others in the developing world, you can have a system like ours, which is sort of market-oriented or -driven growth, with authoritarian politics and we will help you do it.

Mr. HICE. Yes, and that seems like it could be problematic in the future. I appreciate your answers and appreciate you guys being here. I yield back.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Just building off that last comment, I think the great power struggle that has been described as re-emerging is 100 percent accurate. And it is China and Russia at the same time. And the struggle really is more ideological than I think people have acknowledged, that both China and Russia envision authoritarian kleptocracy, basically, is their approach to economics and politics.

And to some degree, that is just so they could protect their own regimes. I think in both cases it is gone beyond that to a philosophy that they want to see those types of governments throughout the world, and that is who they want to do business with.

Now, China in particular, like you said, they will do business with whoever and part of their message is, we do not care what you do. We are not going to be like the United States. We are not going to be quibbling over the fact that you are, you know, executing people randomly or doing things like that. Run your government however you want to run it. We just want to do business.

What really worries me in this great power thing is that thus far our response and the dialogue at least in the Trump administration has been all about the military side of it, that has been—you know, here is what China is building, here is what Russia is building, here is how we have to confront it.

And while certainly if you want to draw an analogy to the great power struggle we had with the Soviet Union, military might is a component part of that. Vastly more important in my view is winning the ideological war, which, Dr. Ratner, you talked about as one of your key points. We have abandoned the playing field. The State Department is being cut by 30 percent. I think legislatively we set up a fund for them to have sort of an information campaign. They are just not spending the money and they have not appointed anyone to run it.

We—like you said, if we are going to convince Indonesia and Vietnam and Thailand and, heck, even the countries in Africa, where China is doing business, that we have a better model, we have got to actively engage in that. We have got to actively engage in information warfare. Russia is eating our lunch on it. I think that is by and large understood by everybody except the President, of course.

But China, I think, is a lot more aggressive and successful in this area than we have acknowledged. And it is really not that difficult. If this is something we care about as a country, we can develop the message that says here is why our model is better than what Russia and China are offering.

And one minor little piece, the chairman and I dove into something called Smith-Mundt a few years back, and still have the bruises to prove it, but we did the right thing, because part of the problem is now the way an information warfare campaign is conducted is primarily on the internet. And there are limitations on what the U.S. Government can put out there that is consumed by U.S. people. And you really can't put anything out there on the internet without it at some point being consumed by U.S. people.

I think we need to get away from that and be able to full scale launch an information campaign that says democracy, freedom, and capitalism are better than authoritarianism and kleptocracy. Be with us, because we are taking you to a better place. We are not doing that. That is not either of your faults. I just wanted to make that observation.

And to the extent you have any influence with people within the administration, we got to deliver the message that we have got to start fighting the information war or, you know, a \$2 trillion military isn't going to help us advance our interests in this great power struggle that is emerging. And if you want to comment on that, you are welcome to.

Dr. FRIEDBERG. Thank you, Congressman Smith. I agree completely with what you have said, and in particular the point you made at the very beginning. To talk about this as great power competition and to ignore the fact that it has this ideological component is fundamentally misleading. I think it misunderstands or encourages people to underestimate the antagonism that both Russia and China and their leaderships feel towards us, the threat that they feel from our system, and the vigor with which they are trying to oppose it.

It is an ideological struggle. It has not been until recently the case that either of these seem to be actively trying to spread their own version of government and ideology, although China is now in that game more actively. They have been more defensive; now they are taking the offensive.

The only thing I would add—and, again, I agree with what you have said about the importance of the information piece of this—that ultimately—and it may be a little bit of a cliché—but ultimately it is what we do that is going to be more important than what we say.

Mr. SMITH. Show, don't tell, right?

Dr. FRIEDBERG. Yes, we can say all we want. Our system is better. What the Chinese are now saying is, look at these guys. They are a mess. They messed up the global economy in 2008. They are having trouble getting their economy growing at 2 percent, and we are growing at 7 percent. And look at their political system, it is also a mess.

Mr. SMITH. Show, don't tell also is important that 2 percent of \$19 trillion is—well, I don't know if it is more than 5 percent of \$11 trillion, but it is a bit misleading. We are starting from a higher number there. But I take your point.

But we also in that have to figure out what the appropriate metrics are. I mean, it is like any debate, any argument. You know, you have got facts that make you look good and facts that make you look bad, and your job is to make the decision-maker look at the ones that you want them to look at in the way that you want them to look at them.

So, yes, show, do not tell, is part of it. But you also have to make the argument. I mean, gone are the days where, you know, people could campaign for an elective office without actually campaigning, just say here is who I am, here is my resumé, look at what I have done, it will all be good. No, it is a constant argument out there in the world.

And again, we got to go vote. But we are not engaged at the moment in that argument. And I think we need to get engaged. Thank you both. Outstanding testimony. Thank you, Mr. Chairman.

The CHAIRMAN. I thank you both, too. I completely agree with the last conversation. The only thing I would add is, people will listen a lot more carefully to what you have to say if you have a strong military presence there. So these things are mutually reinforcing. And we need to hit on all cylinders. And I agree with both of you that we have not been.

This was very helpful. Thank you both for being here. The hearing stands adjourned.

[Whereupon, at 11:36 a.m., the committee was adjourned.]

A P P E N D I X

FEBRUARY 15, 2018

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 15, 2018

House Armed Services Committee
Chairman William M. “Mac” Thornberry
Opening Remarks
Full Committee Hearing on Strategic Competition with China
February 15, 2018

Today the Committee meets to receive testimony on strategic competition with China. Following our hearing with Admiral Harris yesterday, it is a good time to hear additional perspectives, especially with the knowledge and expertise of these witnesses. They are Dr. Aaron Friedberg, professor at Princeton University, and Dr. Ely Ratner, Senior fellow at the Council on Foreign Relations. Both are longtime experts on China, and we thank you for being with us.

As the National Defense Strategy points out, long-term strategic competition with China is a principal priority for the Department of Defense requiring investment and attention that is both increased and sustained. American security and American economic prosperity are at stake.

The National Defense Strategy states, ‘China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage...China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy.’

Countering China’s all-of-nation strategy is a real challenge for us. In recent years we have frequently read and heard admonitions to integrate all elements of America’s national power-political, economic, and military, but we have not yet really done so.

If China chooses a path of responsible participation in world affairs, we should welcome and encourage it. But the U.S. must also be ready, able, and willing, working with our allies and others, to adjust to other choices that China may make.

In his book, *Destined For War*, Graham Allison points to ‘two difficult truths:’

First, on the current trajectory, war between the US and China in the decades ahead is not just possible, but much more likely than currently recognized. Indeed, on the historical record, war is more likely than not. . . . Second, war is not inevitable. History shows that major ruling powers can manage relations with rivals, even those that threaten to overtake them, without triggering a war.’

A lot is at stake. I look forward to hearing the insights of our witnesses.

**Statement of Ranking Member Adam Smith for the Record
House Armed Services Committee Hearing on:
“Strategic Competition with China”
February 15, 2018**

Thank you, Mr. Chairman for holding this important hearing. I also wish to thank our witnesses for appearing today. Their expertise will undoubtedly be of assistance to us as we evaluate the strategic aspects of China’s dynamic rise.

The Indo-Asia-Pacific region is vital to our national interests. The United States must remain committed to sustaining regional security, and our efforts there should concentrate primarily on preserving peace and upholding the international rules-based order.

When it comes to national security, China presents strategic challenges. The Summary of the 2018 National Defense Strategy of the United States of America (the NDS Summary) characterizes China as a “strategic competitor” and as a “revisionist power” that wishes “to shape a world consistent with their authoritarian model – gaining veto authority over other nations’ economic, diplomatic, and security decisions.” The NDS Summary further assesses that “As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global preeminence in the future.” Additional challenges include China’s use of influence operations and economic leverage to achieve its foreign policy objectives, and China’s expansionist activities in the South China Sea exemplify China’s selective disregard for international norms and principles, such as the principle of freedom of navigation.

As we consider these challenges, it is important to recognize that China is, and will continue to be, a significant geopolitical actor. China is a country of roughly 1.4 billion people with national interests sustained by an enormous, globally-integrated economy. So, the question is: what kind of actor will China be? I believe that we should encourage China to move in a more positive direction. In doing so, we must convince China to abide by internationally-accepted norms and to accept peaceful and equitable resolutions to the many disputed claims in the South China Sea. We must also dissuade China from employing aggressive, unilateral methods, short of open conflict, to achieve its foreign policy goals, and emphasize the importance of its cooperative participation within the international community.

Strategic competition with China will certainly require a whole-of-government effort that relies on skillful diplomacy and development assistance, as well as a credible defense. The United States will also need to strengthen its relationships with its many allies and partners in the Indo-Asia-

Pacific region and around the world. The more we can do to defuse tensions and to avoid conflict through our contributions to collective security, the more we can help to cultivate mutual growth and prosperity.

Thank you, Mr. Chairman. I look forward to our witnesses' testimony.

**Testimony before the House Armed Services Committee
Hearing on Strategic Competition with China
February 15, 2018**

**Aaron L. Friedberg
Princeton University**

Chairman Thornberry, Ranking Member Smith, members of the committee, thank you for inviting me to testify before you today. It is an honor for me to be here.

In the time available, I would like to make three main points:

- First, the strategy that this country has been pursuing towards China over the past 25 years has failed to achieve its intended result.
- Second, as a consequence, we now face in China a nation whose wealth and power are growing at a rapid pace, but whose leaders have interests, values and objectives that differ fundamentally from our own.
 - Beijing is presently pursuing a wide-ranging, “whole-of-government” strategy that threatens our future security and prosperity and those of our democratic friends and allies.
- Third, meeting this challenge will require that we adopt a new, comprehensive strategy of our own, one that more effectively mobilizes, integrates and applies all of the various instruments of our national power and those of our partners.

Let me expand briefly on each of these points.

1) U.S. “legacy strategy:”

Following the end of the Cold War the United States adopted a two-pronged approach for dealing with China, one that combined engagement with “balancing”:

- On the one hand, the United States sought to engage with China across all fronts: diplomatic, cultural, scientific and above all economic.
- At the same time, successive Republican and Democratic administrations worked to maintain a favorable balance of power in the Asia-Pacific region; strengthening U.S. forward-based forces, bolstering traditional alliances, and building new, quasi-alliance partnerships with countries like Singapore and India.

The goals of this two-pronged strategy were essentially to preserve stability while waiting for engagement to “tame” and ultimately to transform China.

- Engagement was supposed to encourage China's leaders to see their interests as lying in the maintenance and strengthening of the existing, U.S.-led international order, while at the same time accelerating the liberalization of its economy and, eventually, the democratization of its political system.
- As in Europe, so also in Asia, the ultimate aim of U.S. policy was to build a region "whole and free:" filled with democracies, tied together by trade, investment, and regional institutions, and integrated into a global system built along similar lines; a free and open region in a free and open world.

Since the turn of the century, and especially in the last ten years, it has become increasingly evident that this approach has failed.

- China has obviously become far richer and stronger, but instead of loosening its grip, the country's Communist Party regime has become even more repressive and more militantly nationalistic.
- Instead of evolving towards a truly market-based economy, Beijing continues to pursue, and in certain respects has expanded its use of state-directed, market-distorting, mercantilist policies.
- Finally, China's external behavior, its attitude towards its neighbors and towards the United States as well, have become more assertive, and even in certain respects aggressive.
 - China is now clearly a revisionist power; it seeks to change important aspects of the existing order in Asia and, increasingly, the wider world.

Although they were present before, all of these tendencies were amplified by the effects of the 2008 global financial crisis and, even more, by the rise to power of Xi Jinping in 2013.

2) China's strategy:

Like their predecessors, Xi and his colleagues are driven by a mix of insecurity and ambition.

- They fear dissent, social instability, and political unrest, they believe that the United States and its democratic allies are out to encircle their country and undermine their regime, and they have learned that a measure of tension and controlled confrontation with other countries is a good way of stirring nationalist sentiment, mobilizing popular support, justifying tight domestic control, and deflecting public frustration outward against what they describe as "hostile foreign forces."
- At the same time, China's rulers believe that the United States is in decline, that their own power is on the rise, and that the moment has come for China to reclaim its rightful place on the world stage.

- Even this overall, long-term confidence is tinged with uncertainty and a sense of urgency.
 - China's rulers know that they face serious difficulties in sustaining growth, dealing with the needs of an aging population and a severely polluted natural environment, among other problems.
 - And they continue to have a healthy respect for the resilience and power of the U.S. system and our ability to mobilize resources once we recognize that we are being challenged.
 - One reason they are pressing so hard now is that they see a window of opportunity that may not stay open forever
 - They want to lock in gains; advance toward their goals.

What are those goals? China's current leaders have three objectives:

- First and foremost, to preserve the Communist Party's monopoly on domestic political power.
- Second, to restore China to what they see as its rightful place as the preponderant power in eastern Eurasia, including both its continental and maritime domains.
 - The major obstacle to achieving this goal is the presence of the United States and its system of democratic allies.
- Third, to become a truly global player, with power, presence, and influence on par with, and eventually superior to, that of the United States.
 - As part of this effort, China's CCP regime wants to weaken existing international rules, norms, and institutions that stand in its way or call into question the legitimacy of its system and to create new ones that better serve its interests and reflect (and reinforce) its governing ideology.
- These three goals fit together:
 - Beijing seeks to make its region, and the wider world, safe for authoritarianism
 - Or at least for continued CCP rule of China.

What are the means that Beijing is using to try to achieve these objectives?

- As suggested at the outset, China seeks to integrate all of the various instruments of its national power.

Military

- Despite a sustained and wide-ranging buildup in all aspects of their capabilities, China's military leaders don't believe that they can fight and win a war with the United States, or that they will be able to do so any time soon.

- But that isn't really their intention; they hope to be able to "win without fighting," tilting the military balance (or perceptions of the balance) in ways that raise questions about the willingness and ability of the United States to uphold its security guarantees, thereby eroding the foundations of its alliance system.
 - Together with the development by North Korea of long-range nuclear capabilities, the ongoing modernization and expansion in China's nuclear forces is beginning to raise questions about the long-term credibility of our extended nuclear deterrent guarantees.
- China's ongoing investments in A2/AD capabilities – including offensive cyber and anti-satellite weapons, as well as precision conventional ballistic and cruise missiles capable of striking fixed and mobile targets throughout the Western Pacific - are raising the prospective costs and difficulty of any U.S. effort to project and sustain air and naval forces into the region in a possible future conflict, a domain in which, until recently, the U.S. was essentially unchallenged.
- At the lower end of the spectrum of capabilities – China is using its maritime marine, coast guard, fishing fleet and ocean-going construction vessels, as well as its regular air and naval forces, to "create facts," building and now fortifying small islands that will enhance its ability to project power and enforce its claims to control most of the waters and resources of the South China Sea.
 - The true significance of these islands may lie, not in whatever role they might play in a future conflict, but in the seeming inability (or unwillingness) of the United States to prevent them from being built.
 - They are tangible tokens of China's growing power and of our seeming impotence.

Economic

- Rapid economic growth is the engine that has propelled China's rise.
 - The CCP regime has sought to sustain it, not by shifting towards increasing reliance on the market, but through continued, state-directed intervention, including:
 - Subsidies for domestic industries;
 - Restrictions on access to Chinese market;
 - Ongoing effort to acquire foreign technology and intellectual property by all means, fair or foul;
 - Since its entry into the WTO, China has found ways to exploit the rules of the international trading system to its advantage.
- Beijing sees continued growth as essential to achieving all its strategic objectives:
 - Preserving social stability by improving quality of life for much of the population;
 - Funding the military buildup;
 - Acquiring and mastering new technologies that would improve the performance of Chinese weapons systems, but also enhance the regime's capacity for monitoring and controlling the population, including AI, facial

- recognition software and big data analytics that are already being combined into an Orwellian “social credit” system.
- Growth is also giving Beijing increasing access to the tools of economic statecraft:
 - China is using the promise of access to its massive and fast growing market, and the threat of *loss* of access, to try to pressure others and, in particular, to pull some longtime U.S. allies (like South Korea and the Philippines) out of its orbit and closer to Beijing.
 - These efforts have met with only limited success to date, but China has become bolder and more creative in its use of economic tools to achieve strategic ends.
 - Beijing has also launched a massive program of infrastructure investments – the so-called Belt and Road Initiative – that aims to reshape the economic and strategic geography of much of Eurasia.
 - BRI is at the heart of Xi Jinping’s vision for a new Eurasian order, a system of roads, railways, pipelines, and fiber optic cables, free trade areas, new rules written in Beijing, and mechanisms for political consultation, all with China at the center and the United States pushed to the periphery, if not out of the region all together.

Political warfare

- Last but not least, under Xi Jinping, China has also become more sophisticated and more ambitious in its use of “political warfare” to achieve its broad strategic objectives.
- Beijing is employing a variety of techniques to shape the perceptions of both leaders and elites in the advanced industrial nations (including the United States) as well as in the developing world.
 - These methods vary according to local conditions, but include: the funding of university chairs and think tank research programs; offers of lucrative employment to former government officials who have demonstrated that they are reliable “friends of China;” all-expenses-paid junkets to China for foreign legislators and journalists; expulsion of foreign media that present unfavorable views of China to overseas audiences; increasingly sophisticated use of well-funded official, quasi-official and nominally unofficial media platforms that deliver Beijing’s message to the world; pressure on movie studios and media companies to ensure continued access to the vast Chinese market by avoiding politically sensitive content; mobilization and exploitation of overseas students and local ethnic Chinese communities to support Beijing’s aims.
- As regards the advanced industrial nations (and especially the United States) China’s influence operations have two broad aims:

- To gain or maintain access to markets, technology, ideas, information and capital deemed essential to China's continuing economic success.
- To discourage foreign governments, acting separately or in concert, from pursuing policies that might impede China's rise or interfere with the achievement of its strategic objectives.
- As regards the nations of the developing world, China now seeks to present itself as providing an alternative model for development to that offered by the West, one that combines market-driven economic growth with authoritarian politics.
- Beijing seeks to attain its objectives by delivering two, at times contradictory messages:
 - China is a peaceful, non-threatening and still developing nation that is interested in "win-win cooperation."
 - China is a fast-growing power whose rise is inevitable and unstoppable.
 - Prudent leaders will seek to curry favor by getting on board "the China train" rather than incurring its wrath by opposing its wishes.

To sum up:

- China is now using a combination of its rapidly growing military, economic and political or information warfare capabilities to try to weaken the U.S. position in Asia with the aim of displacing it as the preponderant regional power.

How should the United States adjust its strategy to deal with this challenge?

3) A new U.S. strategy

We need to begin with the question of what it is that we are trying to achieve.

- At least for the time being, we are going to have to define our aims in largely defensive terms:
 - To prevent the direct, physical or indirect, economic and geopolitical domination by China of eastern Eurasia, and especially maritime east Asia;
 - To deter Beijing from using force or threats against our regional friends and allies and, if necessary, to assist them in defending themselves against attack or coercion;
 - To counter Beijing's attempts to use economic leverage, political warfare and other techniques to alter the perceptions and policies of democratic countries, including our own;
 - To preserve the widest possible gap between China's "comprehensive national power" and that of the United States, together with our friends and allies;
 - To continue to encourage tendencies that may eventually lead to liberalizing economic and political reforms in China.

To achieve these ends we do not need to abandon the mixed strategy that we have been pursuing since the end of the Cold War, but we will have to adjust the blend of its to elements.

- We and our allies will need to intensify our efforts at balancing while at the same time modulating, and in certain respects, constricting our present posture of open, essentially unconstrained engagement with China.

Balancing has two dimensions: diplomatic and military.

Diplomatic

In the diplomatic realm, we are trying to strengthen and extend our network of alliance and quasi-alliance ties while China seeks to weaken and fragment them.

- China's increasing power and assertiveness have caused growing anxiety across Asia and this is contributing to closer ties, not only between us and our traditional allies and friends but *among* them, e.g. between Australia and Japan or Japan and India. This is a positive trend and we should do everything we can to encourage and enable it.
 - But it would be a mistake to assume that a favorable balance of power will form automatically or that it can succeed over the long-term without active U.S. leadership.

I will say more in a moment about how our military plans and activities can better support our diplomacy, but I want to comment briefly on the economic and political or informational aspects of our policy.

- In the economic domain, if we don't want others in the region to be drawn ever more closely into a Chinese dominated "co-prosperity sphere" we need to provide them with the greatest possible opportunity to remain engaged in mutually beneficial trade and investment with us and with one another.
 - For strategic as well as economic reasons, the U.S. should act to reduce remaining barriers to trade and investment between itself and its friends and allies in the region.
 - The willingness of the United States to enter into ambitious free trade agreements signals its continuing commitment to the prosperity and security of its allies.
 - Refusing to do so (as in withdrawing from the TPP) sends a strong contrary signal.
 - In addition to opening its own market even more fully to friendly countries, the U.S. should seek to expand its exports to them. For both strategic and economic reasons energy is an especially promising commodity in this regard.
 - Trans-Pacific exports of U.S. oil and natural gas can help alleviate some of the energy security concerns of key allies in Northeast

Asia, making them less susceptible to any disruption in shipping thru the South China Sea.

- One part of the line that China is pushing in Asia is that the United States is a declining power, with an increasingly narrow view of its own interests and that its commitments are therefore unreliable. To counter this narrative, U.S. diplomacy should highlight the common values that link it with its major regional allies and strategic partners (including India and Taiwan, as well as Japan, South Korea, Australia) and eliminate the possibility that it would ever willingly cede regional preponderance to China.
 - Aside from commercial interests or purely geopolitical concerns these shared beliefs provide an enduring foundation for cooperation.
 - As its track record of over 70 years makes clear, the United States is committed to helping its fellow democracies to preserve their open social, political and economic systems and to defend themselves against coercion or subversion.

Military

In the military realm, the United States is trying to preserve its ability to project and sustain power into the Western Pacific in order to uphold its alliances and ensure freedom of navigation.

- China is working to neutralize U.S. advantages (or at least to create the appearance that it has done so) in order to discourage intervention and raise doubts about the continuing viability of U.S. security guarantees.
- Beijing has also been driving the military competition in directions that impose disproportionate costs on the U.S., in other words it is practicing so-called “cost-imposing” or “competitive strategies” on us.

In response to these initiatives, the U.S. must therefore seek to:

- Enhance its ability to deter and if necessary defeat any Chinese attack on U.S. allies or forward-based forces;
- Reassure our allies;
- Regain the initiative in the long-term military competition, increasing the burdens that it imposes on China relative to those on the U.S. and its allies.

Somewhat more concretely, this will require making progress in 3 interrelated areas:

- Countering and offsetting China’s expanding A2/AD network.
 - By investing in capabilities that:
 - Reduce the vulnerability of U.S. (and allied) bases, forces and C4/ISR systems while enhancing our ability to conduct long-range conventional precision strikes, including against targets inside China, and, if necessary, to deny Chinese naval and commercial vessels the use of the waters off its coasts.

- The purpose of these investments would be to enhance deterrence by increasing the likelihood that, even in a severe crisis, Chinese decision-makers would conclude that they could not fight and win either a short or a protracted conventional conflict against the U.S. and its allies.
- Strengthening the credibility of our extended nuclear guarantee.
 - By maintaining significant, survivable theater nuclear forces backed by intercontinental forces that remain several orders of magnitude larger than their Chinese counterparts.
 - The aim here is to ensure that Chinese leaders never come to believe that they could achieve their objectives through a limited use of nuclear weapons against U.S. or allied forces and bases in the Western Pacific.
- Strengthening the ability of our friends and allies to withstand Chinese attempts at coercion using its developing power projection capabilities.
 - By helping them to monitor and defend their own waters and airspace and working with them, as well as with other nations from outside the region, to defy any attempt by Beijing to establish air or maritime exclusion zones by operating continuously wherever international law permits.

Engagement has both an economic and a political dimension. Our approach to both requires significant modification.

Economic

As has already been suggested, over the last several decades, China has taken advantage of the openness of the US economy, and of the entire Western-built trading system, not only (or even primarily) to promote the welfare of its citizens, but to advance towards its strategic objectives.

- Despite their rhetoric, China's leaders regard trade and investment as domains of strategic competition rather than simple "win-win cooperation."
- There is very little evidence that, if nothing else changes, they intend to abandon their present approach to economic policy and move closer to the market-driven model that we would prefer and which so many Western observers expected.

We need to adjust our approach to economic engagement with China to take account of these realities by:

- Joining forces with the other advanced industrial democracies to pressure China to modify or abandon some of its most egregious market-distorting policies, including the widespread use of subsidies, non-tariff barriers, restrictions on foreign direct investment, and the massive theft or coerced transfer of intellectual property and technology;
- Doing more to maintain our edge in strategically relevant technologies, including measures to:

- Stimulate innovation via more federal support for basic scientific research and education; selective government procurement programs that provide a sizable initial market for new technologies where initial commercial demand is lacking; innovation-friendly tax, patent and immigration policies;
- Slow the diffusion of critical technologies to China by (among other things) reforming the existing CFIUS process for reviewing proposed investments in U.S. high tech companies.
- Reducing U.S. vulnerability to possible Chinese economic leverage by:
 - Shrinking our external debt, including to China, primarily by adjusting government tax and spending policies to shrink the federal budget deficit and thus the trade deficit and the capital account surplus;
 - Identifying and repairing supply chain vulnerabilities, areas where sudden loss of access to imports from China could endanger economic performance, public health or national defense.
- Countering Chinese attempts to exert economic leverage over other nations:
 - In addition to the trade agreements and energy export policies already mentioned, the U.S. and its allies should seek to mitigate growing dependence of developing nations on Chinese FDI by revitalizing Western-led alternatives/complements to BRI infrastructure initiatives.
- Maintaining an adequate defense industrial base:
 - Adjusting procurement policies to preserve adequate capacity to sustain production of weapons and other military systems under a variety of plausible future conflict scenarios, including a possible protracted conventional war with China.

Political

Government and the private sector both need to do more to prevent strategic rivals that do not share America's liberal democratic values from exploiting the openness of our social, political, information, and economic systems for their own ends.

- Here the U.S. faces a significant "bootstrap problem":
 - Countering China's influence operations will require a more widespread consensus than currently exists regarding the challenge it poses to this country's interests. But the primary purpose of China's intensive political warfare efforts is precisely to prevent such a shift.
 - The premise that China is simply another friendly country with whom the U.S. seeks the best possible relations is a major impediment to effective self-defense.

U.S. strategy for countering China's political warfare campaign must have both defensive and offensive elements.

Regarding the defensive side of the equation.

- The federal government should:
 - Invest more resources in domestic counterintelligence;
 - Invoke national security provisions in existing laws to restrict investments by Chinese-linked entities in U.S.-based media companies;
 - Respond to denial of entry, harassment, or expulsion of U.S. journalists by revoking the visas of Chinese journalists working in the U.S.;
 - Tighten restrictions on lobbying or employment by former U.S. military and civilian government officials.
- Private sector organizations and institutions will have to take much of the responsibility for countering foreign influence attempts that are inappropriately manipulative and intrusive, even if they are not flatly illegal. The best defense against many of these techniques is transparency:
 - For example, the American Association of University Professors recently helped slow the spread of “Confucius Institutes” by demanding that universities stop signing secret covenants with the Chinese government or government-related agencies;
 - An independent body should track and publish information clarifying the connections between nominally private Chinese entities such as foundations and organs of the Chinese party-state. Scholars, universities and think tanks should agree to acknowledge when they accept funding from such entities;
 - Independent organizations like the National Endowment for Democracy’s Center for International Media Assistance are already playing a valuable role by publicizing Beijing’s attempts to influence Western perceptions, including its increasingly brazen attempts to coerce journalists, news organizations and their sponsors.

In addition to strengthening its own defenses, the U.S. should assist friendly governments seeking to harden themselves against Chinese influence operations by:

- Sharing information about the activities of “united front”-linked organizations and individuals;
- Sharing experiences (especially with younger democracies) regarding laws and best practices for monitoring and controlling undue foreign influence;
- Assisting in the formation of an organization or grouping (perhaps at the OECD) that will highlight the common challenges the democracies face in countering political warfare sponsored by authoritarian regimes.

Finally, U.S. political warfare strategy must also include an offensive component that seeks to convey the following messages to friends, allies, neutral parties and, to the extent they can be reached, the Chinese people:

- Despite its protestations of benign intent, the CCP regime is engaged in activities on a massive scale that are aggressive, destabilizing, flout international norms and impose disproportionate costs on other societies.

- Beijing's island building campaign in the South China and its ongoing theft or extortion of intellectual property provide recent examples of behavior that embody all of these characteristics.
- The "Belt and Road Initiative," with its massive construction projects, corrupting effects on local politics, environmental damage and predatory lending practices will likely provide more illustrations of these tendencies.
- China's massive, multi-decade military buildup threatens the security and strategic independence of its neighbors.
- Despite claiming that it seeks a more just and "democratic" global order, what China has in mind more closely resembles a new, Sino-centric regional empire.
- Notwithstanding the impressive growth in its material power, China has numerous social, economic and environmental problems and, absent significant changes in the character of its domestic political system, its continued rise, to say nothing of its ability eventually to dominate Asia and perhaps the world, are by no means inevitable.
 - A more widespread understanding of the challenges posed by demographic trends, resource scarcity and environmental contamination could serve as a useful corrective to the notion that an authoritarian China will somehow be able to dominate the 21st century.
- Whatever its other accomplishments, the Chinese political system is brutal, repressive and profoundly corrupt.
 - The CCP enriches its own members and their families, even as it denies ordinary Chinese people the right to express their opinions, choose their leaders and worship as they see fit.
 - Fearful of its own people, the CCP regime invests enormous resources in monitoring and controlling their activities. This is a vulnerability that the U.S. and its democratic allies should seek to exploit rather than engaging in futile attempts at "reassurance."
- The ideas that the United States espouses and seeks to defend – individual freedom; democratic self-government; political, economic, and religious liberty; a free press; the rule of law – are not "American values," they are *universal* values.

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From June 2003 to June 2005 Dr. Friedberg served as a Deputy Assistant for National Security Affairs and Director of Policy Planning in the office of the Vice President. After leaving government he was appointed to the Defense Policy Board and the Secretary of State's Advisory Committee on Democracy Promotion. He has been a consultant to various agencies of the U.S. government, including the Department of Defense, Los Alamos National Laboratory, and the Central Intelligence Agency. In 2011-2012 he served as co-chair of the Asia-Pacific Working Group and the China Policy Transition Team of the Romney for President Campaign. In 2016 he was a member of the National Security Advisory Council for Senator Marco Rubio's presidential campaign.

In 2001-2002 Friedberg was selected as the first occupant of the Henry A. Kissinger Chair at the Library of Congress. He has been a research fellow at the Australian Strategic Policy Institute, the Norwegian Nobel Institute, the Smithsonian Institution's Woodrow Wilson International Center for Scholars in Washington, D.C., and Harvard University's Center for International Affairs.

Dr. Friedberg is the author of five books, including *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia* (published in 2011 and translated into Japanese, Chinese, and Korean), *Beyond Air-Sea Battle: The Debate Over U.S. Military Strategy in Asia* (published in 2014 and translated into Japanese) and *The Authoritarian Challenge: China, Russia and the Threat to the Liberal International Order* (forthcoming). He recently published a report entitled "Rethinking the Economic Dimension of U.S. China Strategy" (August 2017). His articles and essays have appeared in a number of publications, including *The New York Times*, *The Wall Street Journal*, *The Washington Post*, *The Los Angeles Times*, *Commentary*, *The National Interest*, *The American Interest*, *The Weekly Standard*, *Foreign Affairs*, *The Washington Quarterly*, *Survival*, and *International Security*.

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Rising to the China Challenge

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Before the

House Committee on Armed Services

*United States House of Representatives
2nd Session, 115th Congress*

Hearing on Strategic Competition with China

Overall Assessment

Chairman Thornberry, Ranking Member Smith, distinguished members of the committee, thank you for the opportunity to discuss a topic of vital importance to the United States. Let me begin with four topline observations on the current state of the U.S.-China competition:

- 1) The United States and China are now locked in a geopolitical competition. How this competition evolves will determine the rules, norms, and institutions that govern international relations in the coming decades, as well as the levels of peace and prosperity for the United States.
- 2) The United States, on balance, is losing this competition in ways that increase the likelihood not just of the erosion of the U.S.-led order, but also the rise of an illiberal China-dominated Asia and beyond. If current trends continue, Asia will head toward a future that is less democratic, less open to U.S. trade and investment, more hostile to U.S. alliances and military presence, and too often dictated by raw Chinese power rather than mutually-agreed upon standards of behavior. Many of America's foreign policy achievements of the last seventy five years will be displaced, and it will take generations (at least) to revive central elements of today's liberal international order.

- 3) The U.S. government has failed to approach this competition with anything approximating its importance for the country's future. Much of Washington remains distracted and unserious about the China challenge. The Trump administration has sounded some of the right notes in its first National Security Strategy and National Defense Strategy, but many of its foreign and domestic policies do not reflect a government committed to projecting or sustaining power and leadership in Asia and the world.
- 4) Despite current trends, the United States can still arrest China's momentum and prevent the growth of an illiberal order in Asia and internationally. There is nothing inexorable either about China's rise or American decline. In fact, the foundations of American power remain strong, while China's vulnerabilities are mounting by the day. Washington's ability to muster the necessary strategy, attention, and resources will go a long way in determining the character of international politics in the twenty-first century.

How We Got Here and What's at Stake

U.S. policy toward China since the end of the Cold War was predicated on steering its development and shaping the regional environment such that Beijing would ultimately decide not to challenge U.S. dominance in Asia. At its core, it was a strategy for preventing a China challenge from ever surfacing in the first place. This approach was guided by the promise that economic modernization and interdependence would lead to political and market reforms internally, while also creating overwhelming incentives for China to integrate into the prevailing international order. At the same time, given uncertainties about China's intentions, the United States and its allies developed military capabilities to deter Chinese aggression and dissuade Beijing from aspiring to regional hegemony. It was an imperfect marriage of liberal visions of integration with a hawkish commitment to American primacy. There have been ongoing debates in Washington about which element merited greater emphasis, but this combination of "engagement" and "balancing" has served as consensus U.S. strategy toward China for over two decades.

This policy approach was valid as long as there were indications that it was working—or at least enough ambiguity and uncertainty about China's future behavior. Such was the case throughout most of the 1990s and 2000s, when China adhered to a fairly cautious and conservative foreign policy. But that era has ended, and the results are not encouraging. Contrary to U.S. aspirations, China is becoming more authoritarian, the regime is tightening its grip on the economy, and its foreign policies are increasingly ambitious and assertive in seeking to undermine and displace the U.S.-led order in Asia.¹

China has substantially revised its foreign policies over the last decade. Gone are the days of laying low and focusing on internal development. Instead, China is emerging with confidence and ambition, setting its sights on global leadership, undergirded by greater economic, military, and ideological power. Meanwhile, Washington's response has been slow, unfocused, and inadequate.

As a result, China continues advancing toward a position of dominant control over the economics, security, and politics of Asia. This runs directly counter to U.S. vital interests in maintaining an international system that is open, rules-based, and democratic and free. Although the Chinese government has never publicly

¹ See Kurt Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs*, March/April 2018, <https://www.foreignaffairs.com/articles/united-states/2018-02-13/china-reckoning>.

articulated an official blueprint for its preferred future, its actions and interests paint a fairly clear picture of where Beijing, if left unobstructed, will steer the world. Without sufficient pushback, three dominant characteristics are likely to emerge, all contrary to U.S. interests: exclusionary, coercive, and authoritarian.

Exclusionary: China is seeking to diminish Washington's role in Asia and exclude the United States from the region, railing frequently on the interference of "outside powers" and trumpeting themes of "Asia for Asians." This has been most pronounced on security matters, where China's regional strategy and military modernization have focused on gaining control of the East and South China Seas, eroding U.S. alliances, and developing capabilities to deny U.S. military access to the Western Pacific. Beijing is making similar moves in diplomatic and economic realms; rather than supporting existing regional institutions in which Washington has a leading role, China is designing new political groupings and trading blocs that do not include the United States.

Coercive: Beijing is increasingly eschewing existing rules and norms, relying instead on coercion to achieve its various economic, military, and diplomatic aims. This includes flouting international laws that constrain China's power, fracturing and capturing regional institutions that could otherwise raise collective concerns about China's behavior, and intimidating countries in maritime Asia that seek to lawfully extract resources and defend their sovereignty. China's employment of economic coercion has become particularly pronounced, using foreign direct investment (including via its Belt and Road strategy) and market access to compel foreign governments to accept China's will on political and security matters.

Authoritarian: China has begun exporting its own authoritarianism in ways that weaken the promotion and protection of individual rights in the world. Primarily to defend the interests of the Chinese Communist Party, but also to shape public opinion outside its borders, Beijing is working overseas—including in the United States—to undermine academic freedom, censor foreign media, restrict the free flow of information, and curb civil society. Beijing is also promoting its own state-led model of development in explicit contrast to liberal democracy.

China has been making steady progress on all these fronts, abetted by the absence of a concerted U.S. response. This is not to say that Beijing does not deserve greater voice or influence commensurate with its position as a major power; of course it does. But there is a difference between greater Chinese power (even China being the most powerful country in the region), and a situation in which Beijing exerts hegemonic control over Asia. The latter would include: the Chinese military administering the South and East China Seas; regional countries sufficiently coerced into not questioning or challenging China's preferences on security and diplomatic matters; the de facto reunification of Taiwan; Beijing with full agenda-setting power over regional institutions; a China-centric economic order in which Beijing sets trade and investment rules in its favor; and the gradual spread of authoritarianism.

Altogether, a China-led order would be grim for the United States: weaker alliances, fewer security partners, and a military forced to operate at greater distances; U.S. firms without access to leading technologies and markets, and disadvantaged by unique standards, investment rules, and trading blocs; inert regional institutions unable to resist Chinese coercion; and a secular decline in democracy and individual freedoms. The net result would be a less secure, less prosperous United States that is less able to exert power and influence in the world.

Recommendations for U.S. Policy

Continued Chinese advantage in the overall strategic competition is by no means a *fait accompli*. China has its own substantial vulnerabilities, particularly compared to the robust and enduring foundations of American power. As much as China's diplomats and propaganda organs have complained bitterly about U.S. officials speaking in more competitive terms, it is no secret that Beijing has been intensely focused on strategic competition with the United States for decades. In fact, China has been gaining ground across the geopolitical competition primarily because it has been the only one competing. A concerted U.S. effort that brings together the right strategy, sustained attention, and sufficient resources can regain momentum in the contest and put the world back on a path to a more open and democratic future.

The Trump administration deserves credit for acknowledging the reality of U.S. strategic competition with China. But it has not yet presented a comprehensive set of policies at home and abroad to enhance U.S. competitiveness in Asia and the world. Doing so will require knitting together a comprehensive whole-of-government strategy that addresses the military, diplomatic, economic, political, and ideological elements of the competition. Recommendations for U.S. policy follow.

Security Competition

- *Prioritize defense resources for the China challenge:* The Trump administration's January 2018 National Defense Strategy included the critically-important insight that: "Inter-state strategic competition, not terrorism, is now the primary concern in U.S. national security." Congress should endorse this formulation and prioritize defense spending accordingly. Secretary Mattis said it well in his February 6, 2018 testimony before this committee that, "no strategy can survive without the funding necessary to resource it." Congress should support the Pentagon's priorities of building a more lethal force, strengthening alliances and partnerships, and reforming the Defense Department to enhance performance and affordability. At the same time, the Trump administration will have to be judicious in how it uses the force. This means being willing to make hard tradeoffs that shift limited U.S. resources—for example on intelligence, surveillance, and reconnaissance assets—from the Middle East and Africa to the Indo-Pacific, and from the war on terror to strategic competition with China.
- *Avoid wars of choice:* It will be far more difficult, if not impossible, for the United States to succeed in a strategic competition with China if Washington initiates a new war of choice, including with North Korea. In addition to the horrendous human costs, America's strategic position in Asia would be significantly diminished. U.S. attention and resources would be devoured on the Korean peninsula, at the expense of U.S. alliances, Taiwan, the South China Sea, the East China Sea, and the Indian Ocean region. Reconstruction and nation-building costs would be tremendous. A war with North Korea would also hobble U.S. efforts to renew its strength at home: The American people should not be asked to pay for a \$1 trillion infrastructure program to build roads and bridges in Pyongyang. To put it bluntly, starting a war of choice with North Korea (or Iran) would also be a decision to forfeit strategic competition with China.
- *Actively "burden-shift" to China:* China's interests in security and stability are growing in regions where the United States is expending considerable resources. U.S. policymakers should map areas where China's interests are rising and, concurrently, the United States is overextended or bearing disproportionate costs. Rather than imploring Beijing to "burden-share" or be a "responsible

stakeholder," the United States should consider unilaterally reducing its outlay of resources where U.S. and Chinese goals sufficiently overlap and where China's interests are sufficiently large such that Beijing would be forced to pick up the slack. Afghanistan is the most obvious example, followed by parts of the Middle East. It is no longer justifiable that the United States is spending several billions of dollars a year in Afghanistan while China provides only tens of millions of dollars.

- *Build more capable and independent U.S. allies and partners:* The U.S. government should work to boost the military power of U.S. allies (especially Japan, South Korea, and Australia) and critical partners (including India, Vietnam, and Indonesia) by, for instance, loosening restrictions on certain technology transfers and investing more in building partner capacity. Frontline states should have independent capabilities to act as a first line of deterrence and defense, and the United States should assist partners in developing their own counter-intervention capabilities to ward off Chinese coercion. To do so, Congress should ensure—as is definitively not the case today—that U.S. allies and partners associated with the China challenge are receiving an appropriate proportion of U.S. defense trade and arms transfers, including through foreign military financing programs, foreign military sales, and excess defense articles. The Southeast Asia Maritime Security Initiative (MSI) provides an illustrative example. The five-year, \$425 million dollar program is a good start, but pales in comparison to the several billions of dollars the United States is spending building foreign forces in Afghanistan and the Middle East. Congress should also increase funding to sustain a U.S. Coast Guard presence in Asia, which could work closely with maritime partners and augment their ability to administer surrounding waters.
- *Prevent China from controlling the South China Sea:* China is steadily moving toward dominance of the South China Sea. China's control of the South China Sea, one of the world's most important waterways, would pose a significant threat to U.S. commercial and national security interests. Over \$3 trillion of maritime trade transits through the South China Sea each year, more than \$200 billion of which is either coming from or bound to the United States. China's track record in recent years—willfully blocking freedom of navigation and using economic coercion over political and security issues—is a troubling indicator of how Beijing would likely exploit administrative control over commercial and military access to the South China Sea. Moreover, as the main artery between the Pacific and Indian Oceans, the South China Sea is a critical military arena in which a dominant China would have significant leverage over vulnerable chokepoints and sea-lanes, as well as launching pads to project military power beyond East Asia. Unfortunately, U.S. policy to date, largely predicated on false hopes for China's restraint and adherence to international law, have proven insufficient to prevent China from taking incremental steps to consolidate control of the South China Sea. The United States needs a new approach that includes a combination of economic, military, informational, and diplomatic measures.² As part of that effort, the 2019 National Defense Authorization Act should require a quarterly public report from the State Department describing China's destabilizing actions in the South China Sea, including declassified aerial imagery as supporting evidence. (Pursuant to Executive Order 13526, the Secretary of Defense can direct the director of the Defense Intelligence Agency to declassify this imagery for public release.) U.S. interests would be better served with more public information about China's assertive and coercive activities in the South China Sea. Beijing would have to think twice about bullying energy companies,

² Ely Ratner, "Course Correction: How to Stop China's Maritime Advance," *Foreign Affairs*, July/August 2017, <https://www.foreignaffairs.com/articles/2017-06-13/course-correction>.

militarizing islands, and harassing foreign fisherman if it knew that images of its behavior would inevitably appear on the front pages of regional newspapers. Moreover, regional governments would be better equipped to respond both militarily and diplomatically. They would also face greater domestic pressure to defend against China's sovereignty violations, which would help to galvanize regional attention and support. Through this measure, Congress could readily advance America's position in the informational component of the geopolitical contest.

Economic Competition

- *Rejoin the Trans-Pacific Partnership*: U.S. withdrawal from the Trans-Pacific Partnership (TPP) constitutes America's biggest strategic mistake in Asia in at least a decade. The negative externalities of China's growing power and influence are growing substantially larger in the absence of U.S. economic leadership; widespread perceptions of a China-led economic order are starting to cascade into political and security realms. The result is that countries in the region are increasingly reluctant both to partner with the United States and to resist China's acts of coercion. The South China Sea is a leading indicator, where regional countries have all but folded their hands given the lack of an alternative pole of American power and influence. When similar dynamics become present elsewhere, this trend will repeat itself in South Asia, the Middle East, and even parts of Europe. U.S. efforts to set high-standard trade and investment rules, knitting together TPP with the Transatlantic Trade and Investment Partnership (T-TIP) with Europe, would bracket both sides of the Eurasian continent, thereby reducing China's coercive leverage, resisting the spread of illiberalism, and creating political space for continued security cooperation with the United States. The Trump administration's strategy of pursuing a "free and open Indo-Pacific region" is the right framework, but it will fail without an economic component on par with the scale and scope of TPP. President Trump recently suggested he might be open to rejoining TPP; members of Congress should seize this opportunity to press the Trump administration and make the case for the normative and strategic value of the deal. Moreover, the Trump administration's approach to revising or even withdrawing from the Korea-U.S. Free Trade Agreement (KORUS) and the North American Free Trade Agreement (NAFTA) will also shape the willingness of U.S. partners to engage in trade negotiations with the United States. Congress should continue demanding regular reporting on KORUS and NAFTA negotiations.
- *Modernize CFIUS*: Revising the purview, processes, and authorities of the Committee on Foreign Investment in the United States (CFIUS) is both overdue and an appropriate response to concerns about Chinese high-tech investments in the United States that could pose potential national security threats and abet China's discriminatory industrial policy. By all accounts, the House and Senate are both working on bipartisan legislation and approaching the issue in a sober and responsible manner. Congress will also have to ensure that CFIUS itself has sufficient personnel and resources to handle the significantly larger caseload that will result from greater levels of scrutiny. Moreover, the Trump administration will have to coordinate these efforts with allies and partners, such that China is not simply able to turn to other advanced economies if U.S. technology is no longer available. Members of Congress can underscore the importance of coordinating on this issue when meeting with counterparts from Europe and Asia.
- *Limit China's ability to exact economic coercion*: China's economic carrots and sticks—particularly under the rubric of its Belt and Road strategy—are giving Beijing considerable leverage over security and

political issues in regional countries. It bears underscoring that there is significant demand for more infrastructure in Eurasia and Southeast Asia, and no viable alternative to replace China's potential provision of resources entirely. That being said, it will run counter to U.S. interests if recipient countries are subject to corruption and coercion, burdened with commercially non-viable development projects, or caught in debt traps that China exploits for political and strategic ends. The United States should team up with like-minded countries (including Australia, India, Japan, and Singapore) to provide technical assistance to help recipient countries evaluate proposed major infrastructure projects. Washington should also consider which existing multilateral institutions could act as a clearing house of best practices or a neutral forum to assess Belt and Road projects. Cognizant of potential moral hazard, the United States could also consider working with other advanced economies to make funds available at affordable interest rates for governments stuck in China-induced debts traps. Countries like Sri Lanka and Myanmar should have alternatives to handing over vital infrastructure to Beijing if they find themselves indebted to China.

Political Competition

- *Rebuild institutions for U.S. information operations:* The United States should revive its ability to engage in information operations and strategic competition, which have not featured prominently in U.S. China policy for decades. The goal should be to provide a counterpoint to the billions of dollars China spends each year in propaganda to sell a vision of its own ascendancy and benevolence, alongside U.S. decline and depravity. The resulting perceptions of the inevitability of China's rise and of future dependence on China have reinforced Beijing's coercive toolkit. More U.S. media and information platforms can provide a degree of level setting about the facts and fictions of China's power, expound the strengths of the United States, and cast a more skeptical shadow on certain expressions of Chinese influence, including its governing model, its ideological assertions, and the overall strength of its economy. Citizens in Southeast Asia, for instance, might be surprised to hear that U.S. and Japanese foreign direct investment in their region is considerably larger than China's. Current efforts to enhance U.S. government broadcasting and information operations, largely in response to Russian disinformation campaigns, should also focus on developing more capable China-related and Chinese-language platforms in strategically-significant countries. Congress can help by increasing funding for the Broadcasting Board of Governors to augment China-related content in Asia and beyond. A larger budget, for instance, would allow Radio Free Asia to bolster its regional offices and employ more journalists throughout Asia to report on China's activities of concern, including those related to the Belt and Road strategy. Alternatively, failing to augment U.S. resources in the information space will make it much more difficult to succeed in other areas of the competition.
- *Refocus the U.S. government's civilian agencies on Asia:* The Obama administration's "rebalance" to Asia was largely an effort to shift strategic attention to the Pacific. It did not, however, refashion the U.S. foreign policy bureaucracy in ways that would be necessary to actually implement a comprehensive Asia strategy. An April 2014 report from the Senate Foreign Relations Committee revealed that Asia remained under-resourced in most relevant civilian agencies.³ To successfully compete with China, the composition and activities of U.S. government agencies will have to reflect Asia as a priority, including

³ U.S. Congress. Senate. Committee on Foreign Relations. *Re-Balancing the Rebalance: Resourcing U.S. Diplomatic Strategy in the Asia-Pacific Region*. 113th Cong., 2nd sess., April 17, 2014. <https://www.foreign.senate.gov/imo/media/doc/872692.pdf>.

development assistance, the relative size of U.S. embassies and associated bureaus at the State Department, and Treasury and Commerce Department officials devoted to advancing U.S. economic interests in the region. Moreover, as China's reach extends beyond Asia, the United States will need more China watchers in embassies and departments that cover other regions, including Europe, the Middle East, Africa, and Latin America. In the short term, Congress should urge the Trump administration to fill the many vacancies throughout the national security bureaucracy. The lack of U.S. ambassadors in Asia, for instance in South Korea and Singapore (the 2018 chair of ASEAN), is highly self-defeating. More generally, it does not bode well for U.S. competitiveness that China has doubled its foreign affairs budget since 2013 while the Trump administration is proposing to major cuts to the State Department.

- *Root out Chinese Communist Party influence operations in the United States:* The Chinese Communist Party is succeeding in undermining basic democratic values in the United States. As a result of various forms of Chinese espionage and coercion, American schools and universities are avoiding topics Beijing deems sensitive, students in the United States are intimidated from speaking freely, U.S. media outlets and scholars are self-censoring, U.S. companies are curbing their speech to placate China, and millions of Americans are subject to veiled Chinese propaganda through Communist Party-run online, television, print, and radio media. Congress can play a role in curbing illiberal Chinese influence: by increasing transparency and shining a light on these issues; requiring greater reciprocity in areas like journalist visas; and mobilizing professional groups to speak with one voice and share best practices for managing Chinese influence activities.
- *Build a bipartisan consensus on China:* One of China's strongest cards in the U.S.-China competition today is the perception of dysfunction and partisanship in Washington, including on Capitol Hill. China's state-run media have seized upon political paralysis in the United States as part of a global propaganda campaign to discredit the West. In this regard, U.S. government shutdowns, massive deficits, and the inability to compromise on common-sense solutions to health care and immigration all accumulate to weaken the ability of the United States to remain a leading global power. Building and sustaining a bipartisan consensus on the China challenge—and recognizing the implications for domestic and foreign policy—will be of utmost importance to America's long-term success.

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DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 15, 2018

**NSC 68
PLUS 68**

**LONG TERM STRATEGY GROUP
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Contract No.: HQ0034-15-D-0021

October 2017

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EXECUTIVE SUMMARY

This monograph outlines a potential new comprehensive US strategy for dealing with an increasingly powerful, ambitious, and aggressive China. While the author acknowledges key differences between the Cold War and the current environment, the monograph is loosely modeled on strategic planning documents formulated at the highest levels of the US government during the Cold War's early years, most notably NSC 68, "United States Objectives and Programs for National Security," circulated in April 1950 and formally adopted in September of that year.

The monograph reviews the current US strategy toward China, the sources of Chinese conduct, and US interests and goals before outlining a potential new US strategy composed of, and divided into:

- diplomatic,
- military,
- economic, and
- political warfare elements.

The author assumes that, at least in the short term, the overall, mixed character of the US-China relationship will likely remain unchanged and continue to deteriorate gradually in ways that run counter to long-term US interests. The monograph is accordingly premised on the idea that the United States and its allies need to begin making changes to current policies now while preparing for possible future discontinuities that could expand the range of what is feasible.

BACKGROUND

The purpose of this monograph is to suggest the broad outlines, scope, and possible content of a new comprehensive US strategy for dealing with an increasingly powerful, ambitious, and aggressive China.

CURRENT STRATEGY

- The United States currently has a comprehensive strategy for dealing with China.
 - It has been in place for roughly 25 years, since the end of the Cold War.
 - This strategy was not the product of a systematic planning effort (such as the Eisenhower administration's Solarium Project) that considered the costs, benefits, and risks of a variety of alternative approaches.
 - The strategy was never codified in a single document (like the Truman administration's NSC 68, first circulated in April 1950 and formally adopted in September of that year after the start of the Korean War).
 - Instead, current strategy has evolved organically over time rather than emerging fully formed at a specific historical moment.
 - Unlike containment, it does not even have an agreed name.
- Current strategy has two elements:
 - Engagement
 - Starting with the Nixon/Kissinger "opening" in the late 1960s, the United States has sought to engage China across a wide array of fronts: diplomatic, scientific, educational, cultural and economic.
 - These efforts have grown broader and deeper over time, and, especially since the early 1990s, economic engagement in particular has exploded.
 - Balancing
 - At the same time, especially since the mid-1990s, in the aftermath of the 1995-96 Taiwan Strait crisis, the United States has worked to preserve a favorable balance of military power in the Asia-Pacific region, even as China grew stronger.
 - This element of US strategy has had several subsidiary parts:
 - Maintaining/strengthening US forward-based forces in the region;
 - Maintaining/strengthening traditional alliance partnerships (including with Japan, South Korea, Australia, and, with mixed success, Thailand and the Philippines);
 - Building new, quasi-alliance partnerships with others in the region who share concerns over the implications for their future security and autonomy of rising Chinese power (including Singapore and India).
- The aim of the balancing part of US strategy has been to "hold the ring;" preserving stability and deterring attempts at coercion or overt aggression while waiting for engagement to work its magic on China.
- At least as originally conceived and justified by its early architects and advocates, the aim of engagement, in turn, has been two-fold:
 - To "tame" China:

- Causing its leaders to see their interest as lying in the preservation of the existing (US-built and -dominated) liberal international order, rather than its overthrow or substantial modification.
- In effect, to encourage China to become a status quo power or, as the George W. Bush administration put it, a “responsible stakeholder” in the existing international system.
- To transform China:
 - Albeit quietly and indirectly, to promote tendencies (including the growth of a middle class, the spread of liberal ideas, and the development of rule of law and the institutions of civil society) that will lead eventually to political reform, culminating in democratization.

THE NEED FOR A STRATEGIC REASSESSMENT

- Over the course of the past decade (since the onset of the global financial crisis in 2007 and, most notably, since the ascension of Xi Jinping in 2013) there have been increasing questions about the adequacy and likely future effectiveness of this legacy strategy.
- Thanks in large part to its engagement with the United States and its integration into the global economy, China continues to grow richer and stronger at a rapid pace.
 - Far from showing signs of liberalization, however, its domestic politics have become increasingly repressive and more militantly nationalistic.
 - In the economic domain, instead of shifting toward greater reliance on market forces (as had been widely predicted and expected, especially after China's entry into the World Trade Organization [WTO] in 2001), the party-state has maintained and in certain respects expanded its use of mercantilist policy tools.
 - Meanwhile, in its external behavior, rather than evolving into a mellow, satisfied power China has become more assertive. Beijing is increasingly open about its intention to use its growing military strength, newfound economic clout, and expanding repertoire of "soft power" tools to try to reshape the prevailing regional system and to challenge some key aspects of the wider international order.
- Of particular concern is the fact that, while the United States and its allies retain important advantages, the military balance in the Western Pacific appears to be shifting in China's favor, thanks in part to its continuing investments in nuclear force modernization and conventional anti-access/area denial capabilities (A2/AD), as well as its ongoing development of capabilities and techniques for advancing its interests in maritime "gray zones."
 - Although the likelihood of deliberate hostility remains low, the risk of conflict resulting from miscalculation is likely increasing.
- Growing awareness of these trends has begun to drive shifts in US diplomacy, force posture, and military doctrine; economic policy and approaches to what Chinese analysts call "political [or information] warfare" have been slower to change.
 - While piecemeal adaptation is preferable to complete stasis, it is no substitute for a comprehensive review and reformulation of all the interlocking aspects of US China strategy.
 - Due to a mix of factors, including bureaucratic inertia, domestic political division, leadership preoccupation, diplomatic sensitivity, and sheer uncertainty, to the best of the author's knowledge, no such "whole of government" review was completed during either the Bush or the Obama administrations.
- As indicated at the outset, the purpose of this monograph is to suggest the broad outlines, scope, and possible content of such a reassessment, laying out the questions it should pose and one set of possible answers to them.
 - The monograph is loosely modeled on strategic planning documents formulated at the highest levels of the US government during the early years of the Cold War, most notably NSC 68, "United States Objectives and Programs for National Security," circulated in April 1950 and formally adopted in September of that year.

IS THE NSC 68 ANALOGY APT?

- Key similarities:
 - In the late 1940s the United States was in the early stages of an intensifying geopolitical rivalry;
 - Despite some significant residual American advantages in aggregate economic resources, technological capabilities, and military strength, the balance of power was seen to be shifting in unfavorable ways;
 - The US government had not yet reached agreement on what its goals should be, nor on the strategy for achieving them.

- Many differences:
 - Emerging competition with the Soviet Union was widely perceived to be zero sum, with virtually no prospects for cooperation or mutual gain;
 - The rivalry was cast in increasingly stark, ideological terms, as a struggle between good and evil, “freedom” and “slavery;”
 - The degree of societal, economic, and even diplomatic interaction between the two sides was minimal;
 - War was believed to be highly likely, perhaps imminent.

- One final difference is especially noteworthy:
 - By the time NSC 68 was written, and certainly by the time it was formally adopted, a series of shocks (including the forcible assertion of Soviet control over Eastern Europe, a crisis over control of Berlin, evidence of the first Soviet atomic bomb test, and, in June 1950, the start of the Korean War) had galvanized US elites and the American public. While differences remained over exactly how to proceed, there was widespread agreement about the reality of the emerging competition with the Soviet Union and about the need for a new strategy with which to wage it.
 - Despite the shifts described above, no such consensus exists today
 - Which is one reason why some will object to invocation of NSC 68.

THE SOURCES OF CHINESE CONDUCT

- Beijing's external behavior is the product of three factors:
 - *Geopolitics* – China's power has grown rapidly in recent decades, and, like virtually every other fast-rising power in history (including the United States), it seeks to reshape the international environment, starting with its immediate neighborhood, in ways that better reflect its strength and its interests.
 - China seeks its "place in the sun;" its leaders aim to alter geographical boundaries, institutional structures and hierarchies of prestige that were put in place when it was relatively weak and which they therefore regard as illegitimate.
 - *History* – China is not just any rising power, it is a nation with a long and proud history as the leading center of East Asian civilization and a more recent and less glorious experience of domination and humiliation at the hands of foreign intruders.
 - China's leaders see their country as not merely *rising*, but rather *returning* to a position of regional preeminence that it once held and which they (and many of their people) regard as natural and appropriate.
 - They also believe that they have the opportunity, and the obligation, to right some of the wrongs done to China in the past.
 - *Regime type* – China is ruled by a one-party authoritarian regime that is determined at all costs to retain its exclusive grip on political power and which feels itself to be constantly under threat from enemies, foreign and domestic. These facts have a profound impact on every aspect of state policy.
 - China's Communist Party (CCP) leaders believe that the United States and its liberal democratic allies are implacably opposed to them on ideological grounds and that the United States, in particular, seeks to undermine them by promoting "splittism" (i.e., separatist movements in Tibet, Xinjiang and Taiwan) and "peaceful evolution" (i.e., the spread of liberal democratic beliefs among the Chinese population).
 - Warding off these threats requires, among other things, that Beijing exert greater control over events around China's periphery.
 - Especially since the Tiananmen Square "incident" in 1989, the CCP regime has also sought to ward off ideological subversion and bolster domestic political support by promulgating a distinctive, state-manufactured form of popular nationalism.
 - China's pervasive (and still expanding) system of propaganda and "patriotic education" emphasizes the wrongs done to China by foreign powers during the "century of humiliation" and the essential (and as yet unfinished) role of the Communist Party in righting those wrongs.
 - In recent years the regime has made increasing use of crises and confrontations over issues of history, territorial control, and national pride to mobilize popular support and deflect the frustrations of the Chinese people outward, toward alleged foreign enemies, including Japan and the United States.
 - Especially if economic growth falters, militant nationalism and "standing up" to foreign enemies are likely to become increasingly important parts of the CCP's strategy for retaining its hold on power.
 - As seen from Beijing, the stakes in future confrontations could be extremely high.
 - Insecure about their own legitimacy, China's leaders believe that the stronger their country appears abroad, the stronger their regime will be at home.

- Conversely, they evidently fear that the appearance of weakness or the perception that the nation has been defeated or humiliated could be extremely dangerous to their prospects for continued rule.

BEIJING'S OBJECTIVES AND STRATEGY

- The grand strategy of China's current regime has three broad goals:
 - First and foremost: preserve the CCP's monopoly on domestic political power.
 - China's current leaders believe sincerely that this is essential to the nation's future, to say nothing of their own well-being and that of their families.
 - Second: return China to its rightful place as the preponderant power in Eastern Eurasia.
 - The primary obstacle to achieving this aim is the continued presence of the United States, including its forward-operating and forward-deployed forces, bases, and alliance network.
 - Attaining preponderance will therefore require engineering a significant reduction in the US regional role.
 - Third: in the long run, establish China as a global power second to none.
 - Having long denied that they thought in terms of a "G2," China's leaders now clearly see their country, along with the United States, as one of two great powers with capabilities and potential far greater than any possible rivals.
 - It will take time to achieve true parity with the United States, but China's leaders do not believe that they must, or should, remain permanently in a position of relative inferiority.
 - While careful not to say so directly, the CCP regime likely believes that it is now on track eventually to displace the United States as the preponderant world power.
- For the better part of two decades after Tiananmen, China's strategy for achieving these objectives remained largely stable.
 - The essential theme of Beijing's approach during this period was expressed in Deng Xiaoping's 1991 "24 Character Strategy" memo in which he advised that, in light of its relative weakness and diplomatic isolation, China should "hide its capabilities and bide its time."
 - Throughout the 1990s and into the early 2000s China sought to:
 - *Build* all elements of its "comprehensive national power;" military, diplomatic, technological, and, above all, economic.
 - *Avoid* confrontation or conflict with other major powers, especially key trading partners and, above all, the United States.
 - *Advance* incrementally, strengthening China's position while working, generally indirectly and subtly, to constrict and weaken that of the United States.
 - China's leaders did not believe that they could achieve their aims quickly or through a frontal assault; rather they hoped to "win without fighting;" countering US military advantages sufficiently to raise questions about its security guarantees and weaken its alliances, and relying on a mix of diplomatic suasion, "political warfare," and the increasing gravitational attraction of its large and growing economy to pull regional states out of the US orbit and into its own.
- The global financial crisis that began in 2007-08 marked the start of a shift in Beijing's strategy.
 - The crisis and its aftermath convinced many Chinese analysts and policy makers that the relative power of the United States was declining more rapidly than had been expected and

that China should seize the opportunity to expand its influence and advance more rapidly toward its long-term goals.

- At the same time, the crisis also raised the prospects of slower economic growth in China and heightened fears of possible social unrest.
- Beijing's increasing assertiveness, first visible in its more aggressive prosecution of long-standing maritime disputes in the East and South China Seas starting in the period 2010-11, reflected this mix of ambition and insecurity.
 - On the one hand, China's leaders hoped to exploit what they perceived to be a period of American weakness and preoccupation to "create facts" and gain ground.
 - At the same time, they sought to use increased tensions with other countries to mobilize public support for the regime.
- The tendencies first visible during the latter years of Hu Jintao's second term (2007-2012) have been intensified and institutionalized under his successor, Xi Jinping.
 - While China's goals have not changed, Xi has been much blunter than his predecessors in spelling them out and in specifying the timeframe in which they are to be achieved.
 - Most importantly, he has set 2049, the one hundredth anniversary of the People's Republic, as the deadline for attaining the "China Dream" and the "great rejuvenation of the nation."
 - Global parity, together with regional preponderance, are what Xi Jinping has in mind when he uses these terms.
 - To achieve these ends in a timely fashion, Xi has overseen an increasingly ambitious and aggressive use of all the instruments of Chinese power.
 - For example, since 2013 Beijing has expanded the deployment of military and quasi-military forces, declared an air defense identification zone, and initiated the construction of numerous artificial "islands" to support its maritime claims.
 - Xi's signature "Belt and Road Initiative" (BRI) aims to reshape the economic and strategic geography of Eastern Eurasia by building an ambitious and wide-ranging network of roads, pipelines, fiber optic cables, trade agreements, financial arrangements, and regional political institutions, all with Beijing at their core.
 - At Xi's direction, China has stepped up its "United Front" political warfare campaigns aimed at influencing the domestic politics and foreign policies of democratic countries in East Asia and beyond.

US INTERESTS AND OBJECTIVES, BROADLY DEFINED

- Any discussion of strategy must begin with a consideration of objectives.
- Since the founding of the Republic, the ultimate aim of US grand strategy has always been to preserve, protect, and defend the nation's distinctive institutions: its liberal democratic political system, open society, and prosperous, free market economy.
 - In the words of NSC 68, the "fundamental purpose" of national policy has been "to assure the integrity and vitality of our free society, which is founded upon the dignity and worth of the individual."
- As America's material power has grown, and especially since the turn of the 20th century, the nation's leaders have also sought to shape the international environment in ways believed conducive to these ends, including:
 - Opposing efforts by foreign actors to interfere with American maritime commerce (e.g., wars against the Barbary pirates, War of 1812, World War One) or to constrict access to overseas markets (e.g., advocacy for "Open Door" in China at the turn of the 20th century);
 - Opposing attempts by a hostile power or coalition to dominate either end of the Eurasian landmass, thereby enabling it to aggregate resources that could be used to threaten the United States (e.g., World War One, World War Two, Cold War);
 - Defending friendly regimes, especially other democracies (e.g., NATO, "hub and spokes" alliance system in Asia), and, where possible, promoting the establishment of stable democratic governments (e.g., Germany and Japan after World War Two; Taiwan, South Korea, Philippines in the 1980s);
 - Establishing and supporting international rules, norms, and practices intended to promote an open, peaceful international order (e.g., General Agreement on Tariffs and Trade [GATT]/WTO agreements regulating trade and resolution of trade disputes, UN Charter principles opposing the use or threat of force, Nuclear Non-Proliferation Treaty, and law of the sea regarding freedom of navigation and access to the world's oceans).
- While a reexamination of these broad, external goals may now be warranted, for the purposes of this monograph they will be assumed to remain constant.

US INTERESTS AND OBJECTIVES WITH RESPECT TO ASIA AND CHINA

- At the end of the Cold War, in Asia as in Europe, the United States sought to encourage the creation of a region "whole and free," filled with stable, peaceful democracies, linked together by trade and regional institutions, and fully integrated into an open global system.
 - The decision to engage and attempt to integrate China was a crucial piece of this larger strategy.
- This vision has not been attained, nor is it likely to be any time soon. The question now is what should take its place.
 - In light of China's growing power, increasing assertiveness, and revisionist aims, the United States must focus on preserving the internal strength and integrity, and defending the external perimeters, of a sub-system of liberal states in Asia (even as it does the same with Russia in Europe).

- More specifically, US interests and objectives in Asia can be defined as follows:
 - Prevent the direct, physical or indirect, economic and geopolitical domination by China of maritime East Asia and, to the extent possible, limit Beijing's ability to dominate continental Eastern Eurasia;
 - Preserve the maximum possible access (physical, via sea lanes and air routes, economic, via flows of trade and investment, and informational, via the internet and other channels) to Asian markets, resources, technologies, products, capital, and people;
 - Assist in defending treaty allies from attack or coercion and, to the extent possible, assist non-allied, friendly nations in defending themselves against similar threats;
 - To the extent possible, encourage the consolidation of democracy in Asian nations that have not yet made a complete and stable transition from authoritarian rule;
 - At least for the time being: discourage the further spread of nuclear weapons.

- With regard to China, in particular, the goals of US strategy must be four-fold:
 - Deter Beijing from using force or threats to achieve its regional objectives by convincing China's leaders that such initiatives would fail and that the costs would exceed the benefits.
 - Counter Beijing's attempts to use economic leverage, political warfare, and other techniques to alter the perceptions and policies of democratic countries, including the United States.
 - Preserve the widest possible gap between China's "comprehensive national power" and that of the United States, plus its friends and allies. This, in turn, will require:
 - Maintaining and to the extent possible accelerating the growth in our own "comprehensive national power;"
 - Enhancing and aggregating the capabilities of our friends and allies;
 - Slowing the growth of China's military, technological, and economic capabilities.
 - Promote tendencies within China that will preoccupy and potentially divide and weaken its current regime, and may increase the likelihood of its eventual replacement by a more liberal and democratic form of government.
 - Engagement in its current form has obviously failed to promote China's domestic political liberalization, but that does not mean we should abandon liberalization as an ultimate aim.
 - Absent such change, a stable, mutually beneficial relationship between the United States and China will likely prove impossible to attain.
 - To paraphrase George Kennan's "Mr. X" article, such a development will have to await "either the break-up or the gradual mellowing" of Chinese power.

US STRATEGY: GENERAL CONSIDERATIONS

- What follows is a description of the main components and themes of a new, comprehensive US strategy for dealing with China.
- Although the elements of this strategy are intended to be mutually supporting, for purposes of discussion it has been disaggregated into its constituent parts:
 - Diplomatic
 - Military
 - Economic
 - Political warfare
- Subsequent discussion also proceeds from the assumption that, at least in the short term, the overall, mixed character of the US-China relationship will likely remain unchanged or, more precisely, that, barring a galvanizing crisis, it will continue to deteriorate gradually in ways that run counter to long-term US interests.
 - The United States and its allies need to begin making changes to current policies now while at the same time preparing for possible future discontinuities that could expand the range of what is feasible.

DIPLOMATIC

- *The diplomatic dimension of the US-China rivalry can best be understood as a competition in alliance-making and alliance-breaking.*
 - As it has done since the early 1990s, the United States is trying to maintain and strengthen a countervailing coalition of nations (including both treaty allies and quasi-alliance partners) that can help to preserve a favorable balance of power in East Asia, even as China grows stronger.
 - Beijing, for its part, seeks through various means, including political warfare, military pressure, and economic inducements, to weaken or fragment the US-led coalition so that it can establish itself as the preponderant regional power.
 - While it continues to adhere to its traditional policy of avoiding formal alliances, in recent years China has also entered into a deepening strategic alignment with Russia and is expanding its economic, political, and security relations with a number of states, including those along the continental Eurasian axis of the BRI.
- US strategy must have an offensive as well as a defensive component.
 - We need to protect, strengthen, and expand our network of alliance and quasi-alliance ties while at the same time seeking to weaken China's and to exploit the vulnerabilities that will inevitably arise as Beijing extends its influence and diversifies and deepens its commitments.
- China's growing power and increasing assertiveness create opportunities, but they afford no guarantees.
 - There are strong, "natural" tendencies toward balancing at work in Asia, especially in the maritime domain where states enjoy the advantage of a degree of geographic separation from China. (The same is true for India, south of the Himalayas.)
 - US policy must seek to amplify and exploit these tendencies.
 - But it would be a serious mistake to assume that balancing will occur automatically or that it can succeed over the long term without active US engagement.

- For its part, the United States needs above all to make clear its continuing commitment to the security of its friends and allies.
 - China will try to weaken and delay the balancing responses of individual countries (including the United States), as well as attempting to exploit and widen possible divisions in order to decrease cooperation and reduce the efficiency of any countervailing coalition.
- Taking full advantage of tendencies toward regional balancing requires not only that the United States strengthen existing bilateral treaty ties, but also that it work to promote multilateral cooperation among its alliance and quasi-alliance partners, as well as encouraging and, where possible, enabling cooperative arrangements in which it may not be directly involved (among Japan, India, and Australia, for example, or between Japan and Vietnam).
 - The aim of this element of US strategy should be both to encourage the growth of an increasingly dense network of ties that, if necessary, could solidify quickly into a functioning, multi-lateral military coalition.
- The scope of the diplomatic competition between the United States and China is not limited to Asia.
 - Washington should mobilize the support of its allies in other regions, especially in Europe, to achieve its objectives in Asia.
 - A “united front” on issues including freedom of navigation, human rights, and the protection of intellectual property can enhance US leverage.
 - At a minimum, the United States must discourage its allies from doing anything (such as selling weapons or dual-use technology) that would make it more difficult to preserve a favorable balance of military power in Asia.
 - For its part, Beijing aims to drive wedges between the United States and its allies in Europe and elsewhere.
 - Chinese strategists also believe that their deepening economic relationships with countries in Africa, the Middle East, and Latin America, as well as across Eurasia, will enhance their diplomatic leverage, constrain American power, and help to achieve regional preponderance in Asia.
- The United States must apply all of the various instruments of national power to support the defensive component its diplomatic strategy.
 - Political warfare
 - As will be discussed more fully below, to keep its friends close Washington must counter China’s twin narratives of benign intent and unstoppable rise.
 - Beijing has become increasingly open in its efforts to raise doubts about American reliability and staying power.
 - US diplomacy should also highlight the common values that link it with its major regional allies and strategic partners (including India and Taiwan, as well as Japan, South Korea, Australia) and eliminate the possibility that it would ever willingly cede regional preponderance to China.
 - Aside from commercial interests or purely geopolitical concerns, these shared beliefs provide an enduring foundation for cooperation.
 - As its track record of over 70 years makes clear, the United States is committed to helping its fellow liberal democracies to preserve their open social, political, and economic systems and to defend themselves against coercion or subversion.

- Societies organized on liberal principles cannot expect to continue to thrive in a region dominated by a power that rejects those principles and regards their success as a threat to its own survival.
- Economic
 - As will be discussed more fully below, US trade policy should be designed to offset the increasing gravitational pull of the Chinese economy on its neighbors.
 - Beijing is attempting to promote new regional trade and financial institutions that would tie it even more closely to its neighbors while marginalizing the United States.
 - As demonstrated by its recent treatment of South Korea, Chinese policymakers have become increasingly aggressive in their attempts to use economic leverage to try to influence the policies of even large and wealthy trading partners.
 - For strategic as well as economic reasons, the United States should act to reduce remaining barriers to trade and investment between itself and its friends and allies in the region.
 - The willingness of the United States to enter into ambitious free trade agreements signals its continuing commitment to the prosperity and security of its allies.
 - Refusing to do so (as in withdrawing from the Trans-Pacific Partnership [TPP]) sends a strong contrary signal.
 - In addition to opening its own market even more fully to friendly countries, the United States should seek to expand its exports to them. For both strategic and economic reasons energy is an especially promising commodity in this regard.
 - Trans-Pacific exports of US oil and natural gas can help alleviate some of the energy security concerns of key allies in Northeast Asia, making them less susceptible to any attempt by China to constrict north-south supply routes by disrupting shipping in the South China Sea.
- Military
 - US alliances rest ultimately on a demonstrated willingness and ability to come to the aid of US partners if they are coerced or attacked.
 - China seeks to weaken US alliances in Asia and undermine the US position in the region by developing and deploying forces that call those commitments into question.
 - As will be discussed more fully below, one goal of US military policy must therefore be to shore up the credibility of its security guarantees, even in the face of growing Chinese military power.
- Offensive
 - In addition to defending its own alliances and partnerships, the United States should apply diplomatic pressure to China's.
 - Washington should exploit the vulnerabilities arising from China's entanglement with problematic regional partners.
 - Beijing should be made to pay a diplomatic price for its central role in promoting proliferation, thanks to its ongoing support of North Korea and Pakistan.
 - China's failure to help bring North Korea to heel, and its deepening involvement with Pakistan under the BRI, should provide impetus for still-closer security cooperation with South Korea, Japan, and India.
 - The expanding geographic scope of China's economic interests, including its deepening ties to countries along its continental periphery, presents opportunities.

- In conjunction with other friendly countries (including India and Japan) and established international institutions, the United States should seek to provide alternative sources of aid and investment for countries that wish to avoid being drawn too tightly into Beijing's orbit.
 - At a minimum, China should have to compete, and pay a price, for an expanded Eurasian sphere of influence.
- As China seeks to defend its far-flung interests across Central Asia and into the Middle East, Africa, and Latin America, it will have to redirect some of its energy and attention away from the Western Pacific where it has been heavily focused since the end of the Cold War and where the core of US interests in Asia still lie.
 - China may also be drawn more deeply into local conflicts, possibly resulting in significant material and reputational costs.
 - The United States cannot prevent China's expansion, but it should be prepared to exploit some of the complications that may arise from it.
- Beijing's westward thrust is also causing it to intrude more deeply into areas still considered by Moscow to lie within its sphere of influence, including Central Asia and parts of Eastern Europe.
 - The Sino-Russian axis remains strong, thanks in part to the Western response to Russia's intervention in Ukraine, as well as Moscow and Beijing's shared fear of liberal democracy.
 - In the long run, a continuing alignment between the two nations is not inevitable as China's growing wealth, power, influence and presence cause resentment and anxiety in Russia.
 - Given the fear and animosity with which Moscow regards the West, a genuine shift in the direction of Russian policy will likely have to await a change in the character of the Russian regime.
 - The United States and its allies should remain alert for possibilities to draw Russia back toward the West, providing it with options other than deepening subservience to Beijing.
 - The loss of a reliable partnership with Russia would pose significant costs on Beijing, including greater difficulty in acquiring energy via overland routes and perhaps the need to invest more in the defense of its continental frontiers.

MILITARY

- *The Sino-American military rivalry pits a global superpower attempting to defend its dominant position in the Asia-Pacific against a fast-rising challenger seeking regional preponderance.*
 - The United States seeks to preserve its ability to project power into the Western Pacific in order to uphold its alliances and ensure freedom of navigation.
 - China is working to neutralize US advantages in order to deter and, if necessary, to defeat any attempt at intervention.
 - Short of actual conflict, Beijing aims to undermine US alliances by raising doubts about the viability of its security guarantees.
 - China has also been driving the competition in directions that impose disproportionate costs on the United States.
 - In response to these initiatives, American military strategy must therefore seek to:
 - Deter and if necessary defeat any Chinese attack on US allies or forward-based forces;
 - Reassure allies;

- Regain the initiative in the long-term military competition, increasing the burdens that it imposes on China relative to those on the United States.
- The overall military competition can be broken down into three parts.
- *US Power Projection (P2) vs Chinese A2/AD*
 - At the end of the Cold War the United States had a virtually unchallenged ability to project and sustain overwhelming conventional air and naval power in the Western Pacific using local ports and airfields, surface and undersea naval platforms, and assets based in space and deployed from facilities outside the region.
 - In the last two decades China has developed and is in the process of expanding its capabilities to strike at all elements of the US power projection system.
 - Among other weapons, Beijing has deployed conventional ballistic missiles targeted against fixed facilities and ships at sea and large numbers of anti-ship and land attack cruise missiles launched from the air, sea, undersea, and land.
 - China has also invested heavily in an integrated air defense system and extensive construction of hardened underground facilities to blunt US air strikes, as well as anti-satellite, cyber, and electronic warfare capabilities whose purpose is to degrade US C4ISR.
 - More recently, China has also turned its attention to developing anti-submarine warfare (ASW) capabilities and long-range conventional strike weapons capable of hitting US targets outside the theater, but it has yet to make significant investments in ballistic missile defenses.
 - The United States and its regional allies must respond to these developments by:
 - Reducing the vulnerability of forward forces and bases through some combination of active and passive defenses; cover and deception; in-theater dispersal; improved capabilities for defending, reconstituting, or replacing damaged satellites, cyber networks, and other command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) assets while blinding, destroying, or deceiving enemy surveillance systems.
 - The goal of these efforts should be to reduce the confidence of Chinese planners in their ability to carry out a disarming conventional first strike at the outset of any future war.
 - Enhancing capabilities for conducting long-range conventional precision strikes on targets inside China by deploying more sea and air launched cruise missiles, developing and deploying a new manned and/or unmanned penetrating bomber, and developing conventionally-armed ballistic missiles, possibly including hypersonic delivery vehicles as well as more traditional sea and ground-launched intermediate range missiles.
 - The purpose of these capabilities is to enhance deterrence by making clear to Chinese leaders that conventional strikes on US and allied forces and bases would be met with a prompt, proportionate response.
 - Developing ballistic as well as air-breathing delivery systems would complicate the PLA's planning, reinforce its inclination to expend resources on active and passive defenses against air attack, and compel it to consider investing more in ballistic missile defenses.
 - Enhancing capabilities for interdicting commercial as well as naval surface vessels by deploying more attack submarines and more air and submarine launched anti-ship cruise missiles, procuring more mines, exercising the capability to impose a "distant blockade" by tracking and stopping commercial vessels at key chokepoints outside

the range of China's current air and naval forces, and developing and deploying sophisticated unmanned underwater vehicles capable of conducting surveillance and strikes in waters of China's coasts.

- The purpose of these capabilities is to enhance deterrence by threatening China's ability to use the seas to export its products or import the energy, natural resources, and food that it needs to keep its economy running.
 - Even without a conscious US effort to exploit this vulnerability, Chinese anxiety over it is already helping drive investment in costly and potentially problematic projects designed to improve energy security, including overland pipelines.
- *Extended nuclear deterrence vs counter-deterrence*
 - In Asia, as in other parts of the world, America's security guarantees are backed by the promise that, if necessary, it will use nuclear weapons to defend its allies.
 - Throughout the Cold War and into the early post-Cold War period this promise was highly credible because, in addition to its conventional advantages, the United States enjoyed a massive margin of nuclear superiority over China.
 - Although it did develop significant capabilities for striking US allies, for most of this period Beijing had little or no capacity to deliver nuclear weapons against targets on American soil. When it began to deploy intercontinental ballistic missiles (ICBMs) in the 1980s and 1990s they were few in number and, because of their technical characteristics (fixed, liquid-fueled), potentially vulnerable to US preemption.
 - In the past decade this situation has started to shift, as China has begun to modernize and expand the size of its long-range missile forces, adding land-mobile and submarine-launched ballistic missiles and developing multiple warheads.
 - These developments may be motivated in part by a desire to maintain China's ability to threaten the United States with nuclear attack in the face of ongoing improvements in US conventional precision strike and missile defense capabilities.
 - However, China's modernization programs are also raising questions about the continued viability of US extended deterrent nuclear guarantees.
 - Others may fear (and Chinese planners might hope) that, if they cannot do anything to prevent dozens of nuclear weapons from being detonated on US soil, American decision makers will hesitate to escalate to nuclear use if necessary to stop an overwhelming conventional assault or to respond to Chinese nuclear attacks against US allies.
 - The United States should respond to these developments by:
 - Strengthening conventional capabilities needed to defeat Chinese aggression, thereby reducing the likelihood of having to contemplate nuclear escalation.
 - Bolstering deterrence of possible Chinese nuclear attack on regional allies by deploying significant, survivable theater nuclear forces backed by intercontinental range forces that remain larger by several orders of magnitude than their Chinese counterparts.
 - Preparing to engage in an intensified nuclear arms competition if China appears intent on narrowing the current gap in long-range capabilities. This would involve some combination of offensive and defensive measures, including deploying an augmented national missile defense system, more nuclear-armed ballistic and cruise missiles, and more conventional long-range precision strike forces with counterforce capabilities.
 - Beginning to rethink longstanding commitments regarding the proliferation of nuclear weapons.

- *Chinese P2 versus US (and allied) A2/AD*
 - In addition to attempting to counter US power projection, China is beginning to develop the capacity to project military power at increasing distance from its shores.
 - Within the First Island Chain, Beijing is working to establish a zone of effective control, using a combination of land (and eventually carrier) based aircraft, surface naval vessels, submarines, maritime patrol craft, commercial vessels, and forward bases on manmade islands.
 - If it succeeds, China will be able to dominate exploitation of the mineral, energy, and food resources that these waters contain and to regulate transit through them by the ships of other nations.
 - Further afield, China is the early stages of acquiring blue water naval vessels, long-range air and maritime support capabilities, and a network of overseas facilities that will eventually enable it to project power in and around the Indian Ocean, the Persian Gulf, and off the coasts of Africa, including into the waters of the Atlantic.
 - China will eventually be able to intervene militarily in areas it cannot currently reach but where it already has significant economic interests and presence.
 - Countering Beijing's efforts to enclose and control the use of its "near seas" requires a combination of enhanced US and allied presence in peacetime and intensified preparations for engaging and defeating Chinese P2 forces in the event of war.
 - The United States, its local friends and allies, and countries from outside the region need to defy any attempt by Beijing to establish air or maritime exclusion zones by operating continuously wherever international law permits.
 - This will require greater coordination of effort and would be made easier by enhanced US access to facilities close to disputed areas.
 - Some portion of US presence missions can also be accomplished using "white hull" Coast Guard vessels rather than "gray hull" naval combatants.
 - In wartime, Chinese surface ships and aircraft could be vulnerable to long-range air defense systems and anti-ship cruise missiles deployed on islands or along coasts near disputed areas.
 - Manmade islands would also be vulnerable to attack with standoff weapons launched from US or allied platforms.
 - The United States should selectively enhance the A2/AD capabilities of its regional partners so that they can better defend their own waters and airspace.
 - As with its expansion across continental Eurasia, China's development of long-range power projection capabilities presents strategic opportunities as well as challenges.
 - If the experience of the United States and the handful of other countries that have attempted it are any indication, much time and money will be required to develop global P2 forces and the skills necessary to operate them effectively.
 - As with bases closer to home, fixed forward facilities would be extremely vulnerable to air attack, and PLAN surface ships in distant waters will require indigenous air and ASW defenses if they are to survive beyond the initial stages of combat with a capable opponent.
 - The need to project air and naval power far from China, combined with the necessity of defending interests across Eurasia will create costly new requirements for the Chinese military.
 - Meeting these requirements will require making trade-offs with other missions or increasing the overall size of the defense budget.

- Assuming that China's growth continues to slow, such increases would boost its defense burden, increasing the share of China's GDP devoted to military expenditures.

ECONOMIC

- *Instead of taming and transforming it, US economic engagement has empowered and emboldened China while constraining the United States and the other advanced industrial democracies from acting in an effective and timely way to counter its growing power.*
- China's economic engagement with the West has helped to make it a more formidable strategic competitor:
 - Rapid growth has enabled an essentially "burdenless buildup," featuring sustained increases in military budgets and capabilities that have thus far not greatly raised the share of China's GDP devoted to defense.
 - Instead of fostering change, growth has reinforced CCP rule, helping to finance a massive and costly system of nationwide surveillance and control (including everything from the half million man People's Armed Police to a new big data system for monitoring and assigning "social credit" scores to hundreds of millions of citizens) while at the same time providing opportunities for advancement and prosperity to those who do not challenge the regime.
 - Instead of evolving toward a more fully market-driven growth model, China has continued and in certain respects expanded its use of quasi-mercantilist policy tools, including industrial policies aimed at promoting "national champions" in strategic sectors of the economy and vast state-directed infrastructure development projects at home and abroad.
 - China has effectively exploited the rules of the international trading system that it joined when it became a WTO member in 2001, bending even when it does not break them while relying on them to prevent others from more effectively defending their own interests.
 - Deep engagement with open Western societies has made it easier for China to acquire critical technologies from foreign sources, including through compulsory transfers in return for market access, an expanding flow of mergers and acquisitions in the advanced economies and the continuing theft of intellectual property on an unprecedented scale using a variety of means, including widespread cyber espionage.
 - China's fast-growing market, its demand for imports and, increasingly, its role as a capital exporter have given Beijing access to the tools of economic statecraft with which to shape the perceptions and policies of other countries, including the United States.
- The success of China's entire strategy to date has hinged on its ability to cultivate close economic ties with the United States.
 - Even as trade has made China richer and stronger, the promise of profits, and a persistent belief in the transformative effects of trade and growth, have helped to delay a more forceful US response to the challenge posed by its rise.
 - Beijing hopes to sustain this favorable situation for as long as possible while at the same time preparing for its eventual demise.
- US policy makers face a variety of significant obstacles in trying to adjust existing approaches to dealing with China:
 - It is difficult to shed the assumption that China is just another trading partner, albeit one with some annoying mercantilist habits.

- Efforts to promote change will encounter strong resistance from an assortment of influential groups and individuals in American society who wish to preserve the status quo.
- Existing US laws and bureaucratic structures are not well suited to dealing with a challenge of the magnitude that China now poses.
- Current US commitments under international law make it difficult to treat China differently than other trading partners.
- A major crisis or confrontation could alter the terms of current discussion and enable changes that do not seem plausible at present. Pending such a shift the aims of the economic dimension of US China strategy should be as follows:
 - Maintain an edge in strategically relevant technologies:
 - Stimulate innovation via federal support for basic scientific research and education; selective government procurement programs that provide a sizable initial market for new technologies where initial commercial demand is lacking; innovation-friendly tax, patent and immigration policies.
 - Slow the diffusion of critical technologies to China by imposing trade remedies to punish past and deter future IP theft; broadening the scope of existing procedures for reviewing proposed investments by Chinese entities in the US economy; passing new legislation to enable government review of select commercial technology transfer agreements; increasing monitoring of research and educational exchanges between United States and Chinese institutions; bolstering cybersecurity; working with friendly countries to devise a new and more focused system of export controls.
 - Reduce US vulnerability to possible Chinese economic leverage:
 - Reduce US external debt, including to China, primarily by adjusting government tax and spending policies to shrink the federal budget deficit and thus the trade deficit and the capital account surplus.
 - Identify and repair supply chain vulnerabilities, areas where sudden loss of access to imports from China could endanger economic performance, public health or national defense.
 - Counter Chinese attempts to exert economic leverage over other nations:
 - Offset China's growing weight by tightening trade and investment ties among the United States, friends, and allied countries in Asia but also Europe and North America.
 - Bolster energy security of US friends and allies in Asia by expanding trans-Pacific energy exports from North America.
 - Mitigate growing dependence of developing nations on Chinese foreign direct investment (FDI) by revitalizing Western-led alternatives/complements to BRI infrastructure initiatives.
 - Maintain an adequate defense industrial base:
 - Adjust procurement policies and offer subsidies as needed to preserve adequate capacity to sustain production of weapons and other military systems under a variety of plausible future conflict scenarios, including a possible protracted conventional war with China.
 - Prolong US, allied advantage in aggregate economic resources:
 - Pursue policies that boost the growth rates of the United States and friendly countries relative to China, including initiatives that would support (and protect) innovation by US companies, and free trade areas with other advanced industrial nations from which China would be excluded.

POLITICAL WARFARE

- *The Sino-American rivalry is ultimately a war of ideas or a contest between two contending visions of the future.*
 - Washington hopes a liberal-democratic China will one day take its place as a pillar in the existing regional and global orders.
 - Meanwhile, for its part, the CCP aims to preserve its domestic political monopoly while at the same time attaining regional preponderance, achieving global parity, and seeking eventually to displace the United States as the dominant world power.
- Because neither side at present has sufficient strength to impose its will through the application of brute force, both are constrained to use less direct means.
 - Much of the current contest between the United States and China therefore involves efforts by each to influence the perceptions, beliefs and thus the policies of the other side's leaders, elites, and wider population, as well as those of third parties.
- Political or information warfare is an especially important part of Chinese strategy.
 - Since the Warring States Period and Sun Tzu's *Art of War*, influence operations and deception have been central to the theory and practice of strategy in China.
 - Since its days as a conspiratorial revolutionary party, the CCP has had a highly developed doctrine and organizational machinery for conducting "United Front" campaigns to divide and defeat both domestic and foreign opponents.
 - The fact that, until recently, China has been relatively weak in most measures of "hard," material power has made its leaders especially attentive to the possible compensatory uses of political warfare.
- China's influence operations currently target a wide array of countries, including (but not limited to) the United States, its friends, and allies.
 - Especially as regards the United States and its fellow advanced industrial democracies, these operations have two broad goals:
 - To gain or maintain access to foreign markets, technology, ideas, information, and capital deemed essential to China's continued economic success.
 - To discourage foreign governments, acting separately or in concert, from pursuing policies that might impede China's rise or interfere with the achievement of its strategic objectives.
 - Beijing attaches particular importance to dulling Washington's competitive reflexes, i.e., slowing the US response to China's growing military power, continued predatory economic policies, and increasing assertiveness.
- Beijing seeks to attain its objectives by delivering two, at times contradictory messages through a wide variety of channels:
 - China is a peaceful, non-threatening and still comparatively weak and underdeveloped nation that is interested above all in "win-win cooperation."
 - China is a fast-growing power whose rise is inevitable and unstoppable. Others can profit by getting on board the "China train," but opposing its wishes will ultimately prove fruitless and could be dangerous.
 - Under Xi the latter theme has become increasingly prominent.

- China's methods of conducting political warfare vary according to local conditions, but its newfound wealth has given it an increasingly wide array of options for shaping the thoughts, words, and deeds of foreign actors in ways favorable to Beijing's interests.
 - While some of these involve activities that violate the laws of the target countries, most do not.
 - In many cases there is also no direct or readily visible link between the organs of the Party-state and the wealthy individuals, corporations, or foundations (whether Chinese or foreign) that dispense funds and favors.
- Included among China's current tactics are the following:
 - Campaign contributions (generally via domestically-based individuals and corporations with interests in China);
 - Offers to invest in the districts or countries of politicians who hold "correct" views on China policy;
 - Offers of lucrative employment to former government officials who have demonstrated that they are reliable "friends of China;"
 - Funding of chairs, institutes, and research programs on China-related issues at major universities that generally do not support work on topics deemed sensitive or controversial (and the threatened cancellation of funding for institutions that invite dissidents to speak or otherwise offend Beijing);
 - Funding along similar lines for projects or research programs at foreign think tanks and research institutes;
 - Funding for programs that bring foreign students to study in China and junkets for foreign journalists, business executives, politicians, and former military officers, all designed to present a favorable image of China and its policies;
 - Blocking access, expelling journalists, or otherwise interfering with the activities of foreign media presenting an unfavorable view of China to overseas audiences;
 - An increasingly sophisticated use of well-funded official (CCTV), quasi-official (*Global Times*), and nominally unofficial media platforms (such as the English language website of the China-U.S. Exchange Foundation) to deliver Beijing's message to the world;
 - Purchase of Chinese language media outlets in foreign countries by pro-Beijing individuals or entities;
 - Pressure on movie studios and media companies to ensure continued access to the vast Chinese market by avoiding politically sensitive content that might be subject to censorship;
 - Mobilization of overseas students or local ethnic Chinese communities to protest policies deemed unfavorable to Beijing, often deploying accusations of racism to silence or discredit critics.
- US strategy for countering China's political warfare campaign must have both defensive and offensive elements.
- Government and the private sector both need to do more to prevent strategic rivals that do not share America's liberal values from exploiting the openness of its social, political, information, and economic systems for their own ends.
 - Here the United States faces a significant "bootstrap problem:" countering China's influence operations will require a more widespread consensus than currently exists regarding the challenge it poses to this country's interests. But the primary purpose of China's intensive political warfare efforts is precisely to prevent such a shift.

- The premise that China is simply another friendly country with which the United States seeks the best possible relations is a major impediment to effective self-defense.
 - Absent a galvanizing crisis that would change the legal and political climate there are still steps that the federal government could take, including:
 - Investing more resources in domestic counterintelligence;
 - Invoking national security provisions in existing laws to restrict investments by Chinese-linked entities in US-based media companies;
 - Responding to denial of entry, harassment, or expulsion of US journalists by revoking the visas of Chinese journalists working in the United States;
 - Tightening restrictions on lobbying or employment by former US military and civilian government officials.
 - Under prevailing conditions, private sector actors will have to take much of the responsibility for countering foreign influence attempts that are inappropriately manipulative and intrusive, even if they are not flatly illegal. The best defense against many of these techniques is transparency:
 - The American Association of University Professors recently helped slow the spread of “Confucius Institutes” by demanding that universities stop signing secret covenants with the Chinese government or government-related agencies.
 - An independent body should track and publish information clarifying the connections between nominally private Chinese entities such as foundations and organs of the Chinese party-state. Scholars, universities, and think tanks should agree to acknowledge when they accept funding from such entities.
 - US-based media should strengthen their capacities for self-policing and mutual protection, publicizing instances in which some appear to have been subjected to intimidation or to have engaged in self-censorship;
 - Independent organizations like the National Endowment for Democracy’s Center for International Media Assistance can also play a role by publicizing Beijing’s increasingly brazen attempts to coerce journalists, news organizations, and their sponsors;
 - Universities should set rules prohibiting students from reporting on one another to foreign governments.
- In addition to strengthening its own defenses, the United States should assist friendly governments seeking to harden themselves against Chinese influence operations by:
 - Sharing information about the activities of “United Front”-linked organizations and individuals;
 - Sharing experiences (especially with younger democracies) regarding laws and best practices for monitoring and controlling undue foreign influence;
 - Assisting in the formation of an organization or grouping (perhaps at the Organization for Economic Cooperation and Development [OECD]) that will highlight the common challenges that democracies face in countering political warfare sponsored by authoritarian regimes.
- Finally, US political warfare strategy must also include an offensive component. This can be summed up as having three targets and three essential messages.
 - The targets of a US effort to counter Chinese political warfare must include:
 - The people and governments of third parties, including, but not limited to, US friends and allies in Asia;
 - The American people, whose views will ultimately determine the viability of all elements of a more effective strategy for competing with China;

- The Chinese people, to the extent that they can be reached.
- The messages being delivered to all three audiences should be essentially the same, although the form and emphasis of the presentation may vary in each case:
 - Despite its protestations of benign intent, China is engaged in activities on a massive scale that are aggressive, destabilizing, flout international norms, and impose disproportionate costs on other societies.
 - Beijing's island building campaign in the South China Sea and its ongoing theft or extortion of intellectual property provide recent examples of behavior that embody all of these characteristics.
 - The BRI, with its massive construction projects, corrupting effects on local politics, environmental damage, and predatory lending practices will likely provide more illustrations of these tendencies.
 - China's massive, multi-decade military buildup threatens the security and strategic independence of its neighbors.
 - Despite claiming that it seeks a more just and "democratic" global order, what China has in mind more closely resembles a new, Sino-centric regional empire.
 - Notwithstanding the evident growth in its material power, China has numerous social, economic, and environmental problems and its continued rise, to say nothing of its ability eventually to dominate Asia and perhaps the world, are by no means inevitable.
 - A more widespread understanding of the challenges posed by demographic trends, resource scarcity, and environmental contamination could serve as a useful corrective to the notion that China will somehow dominate the 21st century.
 - Whatever its other accomplishments, the Chinese political system is brutal, repressive, and profoundly corrupt.
 - The CCP enriches its own members and their families, even as it denies ordinary Chinese people the right to express their opinions, choose their leaders, and worship as they see fit.
 - Fearful of its own people, the CCP regime invests enormous resources in monitoring and controlling their activities. This is a vulnerability that the United States and its democratic allies should seek to exploit rather than engaging in futile attempts at "reassurance."

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

FEBRUARY 15, 2018

QUESTIONS SUBMITTED BY MR. WILSON

Mr. WILSON. Since 2005, more than 100 Confucius Institutes have opened at American colleges and universities. Last year the number of Confucius Institutes in the world rose by almost 40 percent. They are funded by the Chinese Government's Ministry of Education and in 2009 the head of the propaganda for the Chinese Communist Party called the Confucius Institutes "an important part of China's overseas propaganda set-up." Some of these universities even house research center laboratories with the Department of Defense where they conduct highly sensitive research.

Do you believe that the Confucius Institutes pose a threat to university-affiliated research center laboratories which conduct highly sensitive research on behalf of the Department of Defense?

Dr. FRIEDBERG. [No answer was available at the time of printing.]

Mr. WILSON. In dealing with near-peer adversaries I agree that it must involve a whole-of-government response. My question lies in the definition and application of what whole-of-government looks like.

Do you believe that there are sufficient touchpoints for a diverse and relevant group of senior government officials to convene and discuss a specific regional threat like China?

What more do you think is needed to holistically counter the China problem-set?

Dr. FRIEDBERG. [No answer was available at the time of printing.]

Mr. WILSON. It is my opinion that one of the best forms of soft power in the Asia-Pacific region is partnership building capacity.

Could you please explain the ongoing and future efforts to engage India as a strategic partner in the ballistic missile defense mission to provide stability in the Asia-Pacific region?

Do you believe that more needs to be done?

Dr. FRIEDBERG. [No answer was available at the time of printing.]

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Do you believe that the Confucius Institutes pose a threat to university-affiliated research center laboratories which conduct highly sensitive research on behalf of the Department of Defense?

Dr. RATNER. [No answer was available at the time of printing.]

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Dr. RATNER. [No answer was available at the time of printing.]

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Dr. RATNER. [No answer was available at the time of printing.]

QUESTIONS SUBMITTED BY MR. COFFMAN

Mr. COFFMAN. To what degree is China using foreign investment to infiltrate U.S. national security assets including companies that supply equipment to DOD, compromising base security in the U.S., and undermining our national security objec-

tives? It was also recently reported that the U.S. Army discontinued use of drones manufactured by a Chinese company due to security concerns. In your opinion, to what extent does China attempt to infiltrate our defense industry supply chain with equipment that has the potential to spy on our military? What should the U.S. do to counter China's destabilization of our supply chain for defense equipment?

Dr. FRIEDBERG. [No answer was available at the time of printing.]

Mr. COFFMAN. Dr. Friedberg, in your testimony you state the importance of maintaining an adequate industrial base. At this time, the United States and our allies rely heavily on China in the rare-earths market. What national security concerns do you have regarding China's dominance of the rare-earths market? In your opinion, should the U.S. focus more on building up our own production and refinement base to ensure independence from China? Do you believe that the U.S. and our allies should work together to develop a degree of independence from China's rare-earths production and refinement capabilities?

Dr. FRIEDBERG. [No answer was available at the time of printing.]

Mr. COFFMAN. Mr. Ratner, it is well-known that China is investing in United States companies at an unprecedented rate in the pursuit of gaining access to new technologies. How does China's foreign direct investment negatively impact the national security of the United States?

Dr. RATNER. [No answer was available at the time of printing.]

Mr. COFFMAN. Mr. Ratner, in your testimony you state the importance of updating the Committee on Foreign Investment (CFIUS). I am a cosponsor of the Foreign Investment Risk Review Modernization Act of 2017 that would update CFIUS. Can you please detail how China is exploiting the current system, and what updating CFIUS will do to improve our national security?

Dr. RATNER. [No answer was available at the time of printing.]

Mr. COFFMAN. To what degree is China using foreign investment to infiltrate U.S. national security assets including companies that supply equipment to DOD, compromising base security in the U.S., and undermining our national security objectives? It was also recently reported that the U.S. Army discontinued use of drones manufactured by a Chinese company due to security concerns. In your opinion, to what extent does China attempt to infiltrate our defense industry supply chain with equipment that has the potential to spy on our military? What should the U.S. do to counter China's destabilization of our supply chain for defense equipment?

Dr. RATNER. [No answer was available at the time of printing.]